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Preface

THE ECONOMICS AND ACCOUNTING
OF

INSTALMENT SELLING

The writer feels that he would indeed appear ungrateful should he fail to give acknowledgments in some small way to those who by offering information, suggestions, and criticisms have assisted in the preparation of this dissertation. I therefore** hereby extend my

thanks and appreciation to all who have in any way assisted me in the preparation of the manuscript and I particularly wish to mention the following firms and individuals who have contributed in no small manner to the accomplishment of the task: Submitted by

Company, Boston, Mass.: The National Cash Register Company, Des Moines, Iowa; Arthur W. Johnson, Boston, Mass.; the General Motors Acceptance Corporation, New York City; and Professor W. J. Coggins, and Dr. E. M. Chamberlain of the faculty of the College of Business Administration of Boston University.

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INSTALMENT SELLING -- WHAT IS IT?

Instalment selling, simply defined, is the purchase of goods to be paid for by a small "down" payment and periodic payments until the debt is liquidated. It differs from open account selling in that the payments are to be for specified amounts and to be made at specified times, the entire obligation being liquidated in about a year. The practice is known by various names as: deferred payments, easy payments, budget plan buying, terms to suit customer, etc., but regardless of the title given to the practice, the plan is to increase sales by allowing the customer long time credit which is to be liquidated by small periodic payments. General objections to the title "Instalment Selling" has brought about the new titles.

Under present day distribution methods it is possible for the consumer to obtain almost any article costing from a few dollars to several thousand by making a comparatively small payment at the time of purchase and agreeing to pay the balance according to a definitely arranged schedule of small periodic payments. To be sure, it costs the user more to purchase in this manner than it would to pay cash because there is a

carrying charge by which the firm financing the transaction is reimbursed. There are various methods of arriving at this carrying charge, as follows:

1. The seller has two prices on his merchandise, one a cash price and the other a "time" or "instalment" price. Or the seller may establish one price, the instalment price, and allow cash customers a discount from this price.

2. The seller may charge interest at a nominal rate on unpaid balances.

3. The seller may add a flat charge, known as a carrying charge, to the price of the article.

In any event, the buyer is to get benefits from the use of money belonging to someone else, for which he must pay interest.

So far as the buyer is concerned, the fairest and most advantageous method is Number 2, charging interest on unpaid balances. This is the method generally used by the large department stores in handling sales on their "budget plan". This plan operates as follows:

Suppose Mr. A purchases a radio set at a price of \$200, 25% to be paid when the order is given and the balance to be paid in twelve equal instalments plus interest on unpaid balances at the rate of $\frac{1}{2}\%$ per month, payments to be made at intervals of one month:

Selling price	\$ 200.
Less initial payment 25%	50.
Balance	<u>\$ 150</u>

\$150 ÷ 12 = \$12.50 monthly payments:

1st payment of principal	\$ 12.50
Plus $\frac{1}{2}\%$ of \$150	.75
Total payment	<u>13.25</u>

2nd payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$137.50	.69
Total payment	<u>13.19</u>

3rd payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$125.	.63
Total payment	<u>13.13</u>

4th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$112.50	.56
Total payment	<u>13.06</u>

5th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$100.00	.50
Total payment	<u>13.00</u>

6th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$87.50	.44
Total payment	<u>12.94</u>

7th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$75.00	.38
Total payment	<u>12.88</u>

8th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$62.50	.32
Total payment	<u>12.82</u>

9th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$50.00	.25
Total payment	<u>12.75</u>

10th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$37.50	.19
Total payment	<u>12.69</u>

11th payment of principal	12.50
Plus $\frac{1}{2}\%$ of \$25.00	.13
Total payment	<u>12.63</u>

12th payment of principal	\$ 12.50
Plus $\frac{1}{2}\%$ of \$12.50	.07
Total payment	<u>12.57</u>

Mr. A has paid for his radio:

The purchase price	\$ 200.00
Plus interest	4.91
Total	<u>\$ 204.91</u>

Under this plan the purchaser is simply paying interest at the rate of 6% per annum on the borrowed capital from which he is receiving the benefit.

Automobile finance companies use method number 3, i.e., add a carrying charge to the delivered price of the car. This carrying charge includes interest charges and charges for fire and theft insurance for the period over which the credit runs. The following case illustrates the methods used.

Suppose Mr. Blank, who already owns an automobile, wishes to trade for a car the cash delivered price of which is \$1,000. The dealer will allow him \$400 for his old car towards the purchase of the new machine. Mr. Blank feels that he will be able to pay \$50 per month, which will liquidate the unpaid balance of \$600 in twelve months. In computing their rates the finance companies divided the country up into territories because of the variation in the rates for fire and theft insurance, premium for which is included in the finance charge.

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Total	The purchase price
Plus interest	
<u>\$ 804.91</u>	

Mr. A has paid for his radio:

Total payment	12th payment of principal
Plus 1% of \$12.50	
<u>\$ 12.50</u>	

The figures given below are based on the rates of one of the largest automobile finance companies in the country. The territory used is that in which the writer resides. The insurance rates were taken from the rate manual of one of the largest insurance companies doing business in the territory.

On the basis of financing the purchase over a period of one year, the total cost to the customer will be \$1,052.00:

Delivered cost on deferred payment plan	\$ 1052
12 monthly payments of \$50. each	<u>600</u>
Down payment	452
Allowance for old car	<u>400</u>
Cash payment at time of purchase	<u>\$ 52</u>

The purchaser turns over his old car and \$52 in cash to the dealer at the time of purchase.

Suppose in the above case the purchaser held collateral on which he could borrow \$600 at his bank at the interest rate of 6%. He would probably sign a demand note which he could pay off as rapidly or as slowly as he wished, within reasonable bounds, of course. But for the sake of comparison, let us assume that he will liquidate his loan in twelve monthly payments, as

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he would do if he financed his purchase through a finance company. The payments would be worked out as follows: The purchaser is allowed \$400 for his old car and borrows \$600 at the bank, thereby completing his payment to the dealer. If he is to liquidate his note in twelve equal payments he will pay \$50 per month, plus the interest at the rate of 6%:

1st payment of principal	\$ 50.00
1 month interest on \$600	3.00
Total payment	<u>53.00</u>
2nd payment of principal	50.00
1 month interest on \$550	2.75
Total payment	<u>52.75</u>
3rd payment of principal	50.00
1 month interest on \$500	2.50
Total payment	<u>52.50</u>
4th payment of principal	50.00
1 month interest on \$450	2.25
Total payment	<u>52.25</u>
5th payment of principal	50.00
1 month interest on \$400	2.00
Total payment	<u>52.00</u>
6th payment of principal	50.00
1 month interest on \$350	1.75
Total payment	<u>51.75</u>
7th payment of principal	50.00
1 month interest on \$300	1.50
Total payment	<u>51.50</u>
8th payment of principal	50.00
1 month interest on \$250	1.25
Total payment	<u>51.25</u>
9th payment of principal	50.00
1 month interest on \$200	1.00
Total payment	<u>51.00</u>

10th payment of principal	\$ 50.00
1 month interest on \$150	.75
Total payment	<u>50.75</u>

11th payment of principal	50.00
1 month interest on \$100	.50
Total payment	<u>50.50</u>

12th payment of principal	50.00
1 month interest on \$50	.25
Total payment	<u>50.25</u>

\$19.50 Interest	
9.50 Insurance-(Fire and Theft	
<u>\$29.00</u> Total	for \$1,000.00)

Finance cost, 1st case	\$ 52.00
Bank cost & insurance	29.00
	<u>\$ 23.00</u>

The saving is equal to 2.3% on the cash delivered price of the car.

It appears then that if the purchaser has collateral on which he can borrow at his bank or if his credit rating is high enough so that his bank will loan him money without security, he is better off financially to arrange his own financing rather than purchase through a finance company. Furthermore, if the borrower raises his money at his bank he can liquidate the loan more or less rapidly than assumed in the above illustration. If he was able to liquidate more rapidly the saving, of course, would be greater. In the case of purchasing through a finance company he obligates himself to pay a stated amount per month for 12 months. If at the time of any

THE TWO METHODS OF PROTECTING THE DEALER

particular payment he finds himself in a position to prepay some of the outstanding notes he receives no advantage unless he pays all of the remaining notes as the finance companies do not allow customers to discount their notes unless they discount the entire unpaid balance.

Failure to make a monthly payment when due means the repossession of the car either by the dealer or the finance company, with the consequent loss to the purchaser of what he has paid in. Failure on the part of the purchaser to pay his note at the bank means confiscation by the bank of the collateral pledged. The bank deducts an amount sufficient to pay its claim and returns the balance to the customer. Under these conditions the purchaser has the car and a portion of his collateral.

To the writer it seems very shortsighted to finance through a finance company if the individual can get credit at his bank.

A great majority of the rank and file, however, are unable to obtain bank credit and as banks will not take chattel mortgages on automobiles and other similar articles, such individuals are left to the mercy of the finance company if they insist on purchasing such articles.

THE TWO METHODS OF PROTECTING THE DEALER

There are two common practices in use by which the dealer or finance company retains title or a lien on the property:

The first method is that of the lease. The buyer signs a lease whereby it is agreed that title remains in the hands of the vendor until the vendee has fulfilled the terms of the agreement, namely, fully paid for the merchandise. The lease is executed upon payment of a small initial sum and provides for periodic payments over a period of time until the entire obligation is liquidated. The lease further provides that in the event the vendee defaults any payment or payments, the vendor may enter upon the premises and repossess the merchandise, whereupon the vendee forfeits all amounts paid, subject, of course, to the law of the state in which the transaction takes place. It is further provided that the vendee shall properly care for the property, shall not move it from the premises without the consent of the vendor, and shall not allow other parties to obtain a lien on the property without notifying the vendor of such proceedings. In case of theft of or damage to the property, the vendee shall still be liable to the vendor for the full amount of the contract. In case of default of a payment by the vendee, the whole amount

shall become due and payable at once.

As a matter of practice, many firms are rather lenient with customers in the matter of repossessions. The usual practice is to make many attempts to collect overdue instalments before proceeding with repossession. Repossession usually means reconditioning the merchandise and then finding another customer, and if there is any possible way of getting the payments from the original buyer, the vendor prefers such procedure.

The second method is that whereby the chattel mortgage is used. This is the procedure used by automobile dealers and finance companies. The dealer sells a customer a car, the customer taking title thereto but issuing a chattel mortgage on the car to the dealer. A "down payment" is made at the time of the sale and notes are signed for the balance. These notes usually fall due at intervals of one month. The dealer in turn transfers the notes and mortgage to the finance company with which he happens to be doing business, receiving the money therefore. Thereafter the notes are presented by and payment made to the finance company. As in the case of the lease, failure to pay a note means foreclosure of the mortgage and a demand for full payment of the balance due, and failure by the vendee to make the payment as demanded means repossession of the car.

THE RISE OF INSTALMENT SELLING

Professor Seligman, in his book "The Economics of Instalment Selling," says that instalment credit is as old as credit itself.¹ Certain it is that practices that we now call instalment selling have been in existence for many years. Take, for example, the man who has bought a home through the aid of a co-operative bank or a building and loan association. He has, in reality, been paying for the property by instalments. And this practice has been in effect many years. But it has never been thought of as instalment buying, as we think of the term today.

Prior to the World War, certain products, such as furniture, sewing machines, pianos, typewriters, etc., were sold on an instalment plan. But the great increase in the system has come since the war. Now, instead of a few scattered articles, practically everything can be purchased by a plan of deferred payment, including articles of wearing apparel, and personal adornment.

The extent to which instalment buying has developed is well summarized, I think, in the following extract taken from an article entitled, "Some Hard Facts on Easy Payments," by John G. Lonsdale, president of the National Bank of Commerce, St. Louis, Missouri, which

¹Vol. I, page 6

appeared in Printers Ink, January 13, 1927:

"Anything from baby carriages to shrouds covering Heinz 'fifty-seven ages of man' is obtainable on the deferred payment plan nowadays. The only limitation is that life is brief and time so fleeting that the fiddler is not always paid."

Mr. Lonsdale says further of instalment selling: "It's like a cigar; if it's good, everyone wants a box; if it isn't, all the puffing in the world won't make it go."

Many reasons have been given by many people in explaining the phenomenal growth of this type of merchandising. However, it is the writer's opinion, with which opinion I think many will agree, that the greatest contributing cause to the meteoric expansion of instalment selling has been the advent of the so-called finance company. Reference has already been made to this type of organization and more will be said about it in subsequent pages. There are, however, to my mind two other very tangible cause which have contributed to this expansion since the World War, both of which are economic and social.

In the first place, the increase in real wages, and the increase in leisure time of the laboring classes has tended to raise the standard of living of these people. This change in the standard of living, superficial though it is in the eyes of some, has brought the desire for

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This change in the standard of living, superficial though

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luxuries heretofore denied to those of limited means, and their desires have been met through the medium of "easy payment buying".

Secondly, I am convinced that the Eighteenth Amendment to the Constitution of the United States has contributed in no small measure to the increase in buying on instalments. The contents of many pay envelopes which were formerly dissipated over the bar are now used to make weekly or monthly payments on articles purchased on the deferred payment plan.

In any event, there is no doubt but what many people are availing themselves of this modern method of purchasing with the idea that if the initial payment can be made, some way will be found to meet subsequent payments.

Distributors have done everything in their power to induce prospective customers to take advantage of "the easy payment plan". In many cases the advertising features the ease with which the purchase can be made rather than the quality or utility of the article.

While instalment buying is by no means confined to the poorer or so-called laboring classes, it appears that the majority of such selling is to people of this class. In an article entitled "Pay While You Chew", appearing in Commerce & Finance, August 17, 1927, Mr. W. P. Hazlegrove comments as follows:

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W. F. Hazlegrave comments as follows:

"While instalment selling is truly no longer limited to the poor, nevertheless the major portion of it is done by this class, especially in the field of the less expensive goods, such as phonographs, washing machines, jewelry, clothing, gas stoves and farm equipment. The increasing competition for the consumer's dollar to hold up the volume lessens the down payment, increases the payment period, and sales are made to ever poorer and poorer people.

"A recent survey in a city of 60,000 showed that 40% of the families in the poorer part of town bought on the instalment basis, 25% of the middle class bought in this manner, and only 5% of the well-to-do families use the system."

While these statistics are not necessarily conclusive, it seems fair to assume that, granting that the city referred to above is a typical American city, it shows the general tendency of the poorer classes doing the majority of the instalment buying.

Furthermore it is, I think, fairly obvious that this group of buyers possess no reserve funds and must therefore resort to deferred payment plan, paying the premium therefor, or get along without the goods. On the other hand, the middle and well-to-do classes usually possess some reserve and hence are not as dependent upon the system of deferred credit.

There are various estimates appearing from time to time as to the annual volume of instalment buying in the United States. And, of course, accurate figures would be more or less difficult to obtain. From such information as is available, however, it seems that at the present time at least \$6,000,000,000 of retail goods are purchased annually on the instalment plan in the United States, and the volume is continually rising. These figures probably represent about 15% of the total annual retail sales.

The increase in volume of instalment buying seems to be largely in the purchase of luxuries. The 1928 World Almanac in its financial and economic review of 1927 states:¹

"While the public has not been extravagant in its purchases of necessities, it has been less careful in its buying of luxuries, which after all, under modern standards of living, may almost be designated as necessities, too. The public has developed the peculiar habit of buying its necessities for cash and its luxuries on credit. The policy is widespread of instalment buying of motor cars, radios, pianos, and of other articles not strictly necessary to the household but which contribute very greatly to the enjoyment of life--therefore, to happiness."

¹Page 155

The argument is frequently advanced that deferred payment devices increase the volume of sales, thereby increasing production, reducing production cost and hence reducing the cost to the consumer. The writer is unable to see the logic in this argument. The purchasing power of the people as a whole is a fixed amount, or the total of their earnings. If articles are purchased on deferred credit, somebody must bear the expense of that credit, and that somebody is none other than the consumer. The amount which the consumer must pay for his credit reduces his purchasing power by that much and the actual cost of his goods to him is increased. If the consumer's purchasing power is reduced, obviously the volume of sales is reduced, or perhaps more accurately stated, a portion of the so-called volume of sales is in reality payment for credit privileges extended.

Opinion seems to be practically unanimous that installment purchasing of productive goods is sound and in general advantageous. For example, the purchase of a dwelling through a co-operative bank or a building and loan association, or the purchase of machinery or other equipment on a deferred payment plan. Assets such as these have a long life and produce income which it is

DO THE RESULTS JUSTIFY THE METHOD?

During the last few years, many articles have been written on the "pros" and "cons" of instalment selling. Nearly all types of magazines have printed at least one article on the subject. But up to date there does not seem to have been much unanimity of opinion. Those directly interested, such as manufacturers, have attempted to justify the system by the ends obtained. Others have endeavored to show that the whole procedure is economically and socially wrong. It is not the purpose of this treatise to enter into an extended academic discussion of whether the practice is sound or unsound economically, but rather to point out some of the pitfalls and dangers of such procedure as well as to call attention to some of the so-called virtues. In the long run, "the proof of the pudding is in the eating", and as yet the system of very extensive instalment selling has not been up and down both sides of the business cycle.

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Opinion seems to be practically unanimous that installment purchasing of productive goods is sound and in general advantageous. For example, the purchase of a dwelling through a co-operative bank or a building and loan association, or the purchase of machinery or other equipment on a deferred payment plan. Assets such as these have a long life and produce income which it is

hoped will liquidate the debt. The great expansion in this type of buying, however, has been in the purchase of luxuries or non-productive goods and there is by no means any unanimity of opinion as to the wisdom of such procedure.

Officials of The National City Bank of New York, in commenting on instalment buying in Commercial America, May, 1926, made the following statement:

"It is evidently true that there has been a very considerable increase in the use of the instalment system in some lines of trade, and many important questions are raised as to the effects. There is a large body of responsible opinion which regards this growth as a serious menace to our prosperity and condemns it in sweeping and emphatic terms. Illustrating this point in view, we quote as follows from an address delivered by A. L. Mills of Portland, Oregon:

'Can anyone view the vast expansion of retail credit throughout the country with other than a alarm? High pressure salesmen are striving to crowd two years' business into one, and so long as the deluded purchaser can be persuaded to sign on the dotted line, the time limit is inconsequential.

*What's the result? Wage earners are mortgaging future earnings for the gratification of present-day pleasures without thought of the morrow that may bring with it sickness or unemployment.

'The Federal Reserve Bank of Boston reports that instalment accounts outstanding in November last were 110 per cent above those of the preceding year. How elsewhere? The public charities officials in the vicinity of the Twin Cities -- St. Paul and Minneapolis -- have reported unofficially an increase in the number of charity applicants who have come to grief through instalment buying. From Philadelphia, The Farmers Loan & Trust Company reports that it appears that 85 to 90 per cent of all furniture, 80 per cent of the phonographs, 75 per cent of all automobiles and washing machines, 65 per cent of all vacuum cleaners, etc., etc., are sold on the instalment plan.'"

The statement of the bank officials goes on further to state:

"In our own view of the instalment system, when properly safeguarded, it has a legitimate place in our own financing system. It has been going on for decades and will go on in the future. It has been long common in the sale of real estate, particularly house property, and in such cases has always been regarded as an aid to thrift because it pledged a certain part of the debtors' income by the acquisition of property of permanent value. The plan plainly is above criticism when so used, and perhaps there is no better test of it than that it shall be employed for the acquirement of something that shall have permanent or productive value, or at least not interfere with the accumulation of savings in such forms. It is a basic principle of sound finance, for

individuals, as well as for corporations, that something shall be set aside out of the current earnings with which to meet the emergencies or opportunities of the future. Life insurance is instalment buying of the same character as that used in buying a home, and the two may well go together. *business enterprise.*

"Where the use of instalment credit represents the extension of a convenience in buying to persons of established credit, there will be little about it to criticize. When it occurs in the purchase of things that are not productive in themselves and that rapidly become less valuable with use it is particularly important that the person who buys on the instalment plan should have the income he pledges assured to him for the time he is committed. Few can have this assurance very far ahead, so that the element of time becomes a yard-stick by which safe and unsafe instalment buying may be measured. When forced beyond the safety lines by sales pressure it constitutes an overexpansion of credit with consequences the same as result from overexpansion of credit in any other form. Such overexpansion is a violation of sound credit practice and it is these violations that we must be on the lookout for." *dead horses" leads to discontent*

In an article entitled "Some Hard Facts on Easy Payments" by John G. Lonsdale, president of The National Bank of Commerce, St. Louis, Missouri, appearing in

Printers Ink, January 13, 1927, Mr. Lonsdale says:

"It appears to me only fair-minded reasoning that working people are as entitled to use their earning capacity for the reasonable extension of their happiness as a merchant is to borrow on the anticipated earning power of his business enterprise.

"Consumers' credit is no more vicious than any other form of credit, but, being for the most part in new and sometimes inexperienced hands, it has suffered abuses."

It seems to me that the question is not so much the right or wrong of instalment selling as it is a matter of overexpansion of such merchandising methods.

Present-day competition is so keen that dealers frequently deliver goods on a too small initial payment and extend the credit over too long a period. The buyer many times is deluded by the small payment required to obtain the article and forgets the future payments, which may bring him to grief. The dealer is often doing a customer more harm than good by extending the credit over an unusually long period. Payment in full should be made before the article has served its entire usefulness, as paying for a "dead horse" leads to discontent on the part of the buyer.

The writer was informed of the following case recently which to his mind illustrates very clearly the

over-extension of instalment credit. An electric power company being desirous of selling a certain family an electric flat-iron, because of the additional power such a device would use, finally made a deal whereby they were to instal a receptacle for the iron, a kitchen light fixture, and furnish the flat-iron at a price of thirty-six dollars. The terms were one dollar down and one dollar per month until paid for, a total of thirty-six months or three years. The company justified the deal because of the additional electric current they would sell. To me it seems that a person requiring three years in which to pay a thirty-six dollar charge is not even a fair credit risk, but rather a poor one.

Again quoting from Mr. Lonsdale's article in Printers Ink, January 13, 1927:¹

"It actually is on record where an autoist, riding in a car that carried mortgages like spare tires, was forced to buy eggs from his grocer on credit and resell them to buy gasoline for the instalment chariot."

Any procedure such as the above is both economically and morally unsound. This does not condemn the whole system but certain it is that wholesale expansion of instalment credit to the extent described by Mr. Lonsdale would shake the very foundation upon which "the house of easy payments" stands.

I recently received through the mail a booklet from an instalment house located in one of the larger middle

¹"Some Hard Facts on Easy Payments," John G. Lonsdale

western cities. I quote from their order blank:

"I enclose deposit on my order listed on the opposite side, which I understand will be sent to my home on trial. If I return these things at the end of the trial period, you will refund to me my deposit and all freight charges and hauling costs that I may pay. If I keep the goods, the balance is to be paid according to your Easy Credit Terms shown on the other side. Title to remain with you until complete payment is made. This order being subject to your acceptance."

At the bottom of the order blank the following appears:

"PLEASE ANSWER THE FOLLOWING QUESTIONS FOR OUR RECORDS

The information you give below will be kept strictly confidential. We will not write to your employer or references. If married, answers to questions below should apply to husband.

Have you ever bought from us before?	: Occupation?	: Age of
Are you still making payments to us on a former account?	: What are your earnings each week now?	: Man?
White or Colored?	: How long with present employer?	: Age of
Do you rent, own, or board?	: Employer's name:	: woman?
		: How many children?

If you have not lived in present town a year, give name of town where you have lived a year or more.

If you have moved since you last bought from us, give your old address.

If you wish, you may write something additional about yourself.

THIS IS THE ONLY PAPER YOU FILL OUT -- LIST YOUR ORDER ON THE OTHER SIDE. "

The terms of payment are stated as follows: \$1.00 deposit brings up to \$30. worth; \$2.00 deposit brings up to \$40. worth; \$3.00 deposit brings up to \$50. worth, and so on with the down payment on an order for \$400. worth of merchandise being \$55.00. All orders under \$5.00 must be paid for in cash. Payments are deferred from ten months on purchases of ten dollars to fourteen months on a four hundred dollar purchase.

The booklet of this concern lists articles all the way from toys to furnaces, including clothing for all members of the family.

Merchandising in this way is obviously very expensive with the result that a very heavy mark-up must be put on the goods and the buyer is generally the victim of the excessive prices for inferior goods. Furthermore, many of the articles listed in this catalog will have depreciated to a point of practically no value before the payments are completed.

I do not believe that extension of instalment credit on any such basis as that outlined above is sound economic procedure. It seems rather like another method of duping the wage earner into paying excessive prices for his goods under the guise of "easy payments".

Since the wide expansion of the instalment selling system the United States has not been confronted with a serious economic depression. Should such a depression

come I am very doubtful whether our present extensive system of retail credit could stand the strain. Payment of maturing instalments obviously depends upon the buyer having an assured future income. Nothing is much more uncertain than an assured future income for the wage earner. Many things may happen to decrease or wipe out his earnings which will mean inability to meet payments; for many persons, probably a majority who buy on instalments, have no reserve with which to meet obligations in case the income ceases. It seems then that a serious economic depression such as occurred in 1893 or 1907 would find the country with a tremendous volume of frozen credits, necessitating heavy repossessions of goods, which in turn would probably spell ruin for many dealers and manufacturers. If the buyers cannot pay, it is the dealers and manufacturers who must "pay the fiddler."

Of course, many claim that we can never again experience such depressions as those of the past, but time alone can prove or disprove such a claim.

Commercial banks were not inclined to loan dealers money on instalment notes of retail customers. The function of the commercial bank has been and still is to furnish working capital for manufacturers and dealers

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THE FINANCE COMPANY

With the development of instalment selling on a large scale, it became necessary to seek additional methods of raising capital to finance the production and distribution of the goods. The merchant being expected to pay for his purchases in from thirty to ninety days found himself in need of greatly increased amounts of capital to meet his obligations as sales made on the instalment plan were liquidated slowly. Credit being extended on deferred payment sales from six months to two or three years the merchant found it next to impossible to pay his creditors promptly from the instalment payments and hence was sorely pressed for additional capital. On the other hand the manufacturers and jobbers were faced with the necessity of procuring prompt payments from their customers with which to finance the manufacture and distribution of goods to retailers, or procure additional capital from outside sources. The procuring of additional capital is not always easy -- in fact, in the majority of cases it may be exceedingly difficult.

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Commercial banks were not inclined to loan dealers money on instalment notes of retail customers. The function of the commercial bank has been and still is to furnish working capital for manufacturers and dealers

through the medium of short time loans. Their function never has been and should not be to finance purchases by the consumer on long time credit. Such procedure would reduce too much the available loanable funds of the banks and collateral pledged against such loans would not ordinarily be eligible for rediscount with the Federal Reserve Banks. The banks being thus shut off from replenishing their loanable funds would find themselves possessed with collateral of doubtful or slow liquidity, thus preventing them from functioning in their true role of commercial banks.

In the early days of instalment selling, when such procedure was confined principally to articles of a comparatively high retail price with a high rate of mark-up, many dealers were able to finance the business themselves, due probably to two principal reasons: namely, the ability of the dealer to get extended credit from the manufacturer, and secondly, because the instalment sales represented a comparatively small part of the total volume of sales.

However, even then there were cases of dealers who were "forced to the wall" because of their inability to finance their instalment sales. Prior to the outbreak of the World War, the writer was employed for several years in the sales department of one of the large sales capital with which to finance their instalment sales. The manufacturer had allowed the dealers in

est manufacturers of domestic sewing machines in the United States. The manufacturer did no retail business except in isolated cases where there was no dealer in the immediate vicinity of the prospect. Under such conditions the manufacturer would sell a machine direct on a "cash with order basis." The method of distribution by the company was through a series of branch offices to dealers in the various communities. These sales to dealers were made on open account with the usual terms of sixty days net with a cash discount for payment in thirty days. In some special cases the terms of credit were extended.

Some of the dealers sold machines on an instalment basis, but in many cases sewing machines comprised only one line of many lines of merchandise carried and the receipts from other lines financed the instalment sale of sewing machines. The Company, however, had several dealers in the larger cities who were doing a large volume of business. These dealers for the most part confined their efforts to the sale of sewing machines, pianos, phonographs, and other musical instruments, all of which were sold on instalments.

While I was in the employ of the company referred to above, two of their largest dealers found themselves in financial difficulties owing to their inability to raise capital with which to finance their instalment sales. The manufacturer had allowed the dealers in

question extended credit in the hopes that the dealers would be able to liquidate the debts. Things went from bad to worse, however, and the manufacturer was finally obliged to accept an assignment of the sewing machine instalment leases of these dealers.

The manufacturer found many of the leases had been outstanding longer than the prescribed time and collections were extremely difficult. The outcome was, of course, many repossessions which are always expensive. The company had no organization built up for collecting this type of accounts, which made the collection more difficult. Everything considered, it was an unprofitable and unpleasant experience but it showed the need, even with a limited volume of instalment selling, of devising some method of helping the dealer finance such sales.

As the volume of instalment selling began to increase rapidly, the need for some sort of a financing device became more acute, and "necessity being the mother of invention," the necessity gave birth to the so-called finance company.

Professor Seligman states in his book, "The Economics of Instalment Selling" that, "the first credit company dealing with the assignment of receivables under the non-notification plan and with the issue of collateral notes against the deposit of such receiv-

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ables was due to two gentlemen, John L. Little and Arthur R. Jones, in 1905."¹

It seems, however, that the plan worked out by these men was for the purpose of purchasing open current book accounts from various dealers and manufacturers. Presumably the "slow" accounts were the ones sold, the dealer being obliged to accept a discount on them.

While this plan is undoubtedly one of the forerunners of the present-day finance company, the plan of operation is somewhat different.

"The business of lending on instalment papers seems to have developed first in connection with the canning industry in Indiana and Wisconsin. The bulk output of tomatoes, corn, peas, and other products was at that time contracted for in advance by the wholesale merchants of the county. It was customary at that time for the wholesale merchant to take 25 per cent of his order as soon as it could be delivered from the canneries and make payment therefor within ten days. The next 25 per cent he was to take in ninety days, the next 25 per cent in six months, and the final 25 per cent of the year's pack was to be taken and paid for in nine months. The National Trust and Credit Company bought these contracts, took over the merchandise with which to fill them, paid cash, and accepted payments as provided in

¹ Vol. I, Pages 35-37.

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We find that in 1907 the Morris Plan Bank was organized, and this organization now has many branches throughout the country. Their plan is to loan money to individuals who have no security to offer and hence cannot borrow from the commercial banks, the loan to be repaid with interest in instalments. The borrower must secure two responsible indorsers for his note. While the money thus borrowed may be used for the purchase of merchandise, technically the goods are not purchased on the instalment plan.

In commenting on Morris Plan Banks, Professor Seligman makes the following interesting statement:¹

"What is of especial interest to us is that from the very beginning of the Industrial Finance Corporation, credit was not infrequently granted to the borrowers in the Morris Banks in order to facilitate the purchase of automobiles. The year 1910, therefore, marks the inception of automobile instalment sales. It is interesting, however, to note why this method was abandoned at the expiration of the first year. The officials who investigated the person condition of the would-be borrower observed that this new-fangled device was really at the time a luxury. In view of the current opinion of the day, they could not but depre-

¹ "The Economics of Instalment Selling" - Seligman, Vol. I, page 37.

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cate loans for mere luxuries. Although Mr. Morris did not quite agree with this, he gave way to the criticisms of his associates and thus the promising experiment of instalment selling in automobiles was discontinued."

The outcome of these early experiments has been the development of the modern finance companies. Various estimates place the number of these organizations at between 1,500 and 2,000. There are so many small and in many cases locally operating companies that an accurate estimate of the number in the United States at present is difficult to obtain. Suffice it to say, however, that the number of such concerns has increased by leaps and bounds in the last few years. There seems to be practically no difficulty in obtaining financing for legitimate instalment selling at the present time.

The modern finance companies may be classified in several ways, i.e., as to types of business financed, as to geographical localities in which they operate, as to method pursued, etc. Many companies are organized for the purpose of financing the sale of the products of a specified manufacturer, as the General Motor Acceptance Corporation which finances only products of the General Motors Corporation. Others are organized for the purpose of financing only sales of a certain kind of product, for example: automobiles. The activities of some finance companies are nation-wide, while

others are organized to furnish financial assistance in a specific locality.

It seems to me, however, that the most important difference between the various companies is in the method used in doing business. Some companies, probably the majority, operate on the recourse plan. That is, the finance concern requires the dealer to indorse the consumers' notes before they are turned over to the financing corporation and in case the purchaser defaults payment the amount is collected from the seller and he must make the repossession. This method, of course, gives the financing companies additional protection and cuts down their losses.

Under the non-recourse plan, the financing company takes the paper of the purchaser with a non-recourse indorsement, which means that in case of default of payments the finance corporation has no claim against the dealer, but must make the repossessions itself. This method, increasing as it does the risk taken by the finance company, results in a higher finance charge, which charge must be paid by the purchaser of the goods. The interest rate in such cases sometimes runs as high as twenty-five per cent. The minimum charge which is used by some of the better protected recourse companies is about eight per cent. These charges are not known to the "trade" as interest charges as the companies

might run afoul of the usury laws in some states. They are referred to as carrying charges which term implies a charge for service as well as for interest. However, "a rose would be as sweet though called by another name," and regardless of what nomenclature is used in referring to the charges, the purchaser of the goods pays and pays well for the privilege of buying on a plan of deferred payment when the obligation is financed through a finance company. A study of the financial statements of some of the larger finance companies reveals the fact that the system not only enables the purchaser to "pay while he uses" but also pours large earnings into the coffers of the finance companies.

I find that some automobile dealers use two or more finance companies in financing their instalment sales. The dealer will have contacts with both a recourse and a non-recourse company. If he has faith in the ability of his customer to meet the payments promptly, he will place the financing with a recourse company, thus giving the purchaser the advantage of the lower carrying charges. If the dealer is a bit skeptical about the buyer as a credit risk, he will finance through a non-recourse company, thereby increasing the cost to his customer, but eliminating possible loss to himself. The purchaser is not in a financial position

The Development of Instalment Purchasing, a paper presented at the Academy of Political Science held in New York City, November 17, 1926. Reprinted and distributed by General Motors Corporation by permission of The Academy of Political Science. Vol. 12, No. 2 of the Academy's proceedings.

to argue about the matter even if he realizes that he is paying a higher finance charge than is necessary. He is willing to "bear the tariff" in order to obtain the car.

I do not believe such practices are sound, either economically or socially, but as long as non-recourse finance companies exist I suppose these abuses will continue. It is, however, to be deplored that a system exists which can be used to make the poor poorer.

Regarding the losses suffered by finance companies, John J. Raskob, former chairman of the finance committee of the General Motors Corporation, had the following to say:¹

"The depression of 1920-1921 came so soon after the formation of the General Motors Acceptance Corporation that its experience can hardly be taken to represent what may happen in another depression. The losses, however, on \$96,407,000 of consumers' obligations purchased in 1919, 1920, and 1921, were \$744,310, or only 77/100ths of 1%. This is quite remarkable, considering the fact that the whole organization was new at that time and much of this loss can be directly attributed to lack of experience. It is also interesting to

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note that this record was made in a period of deflation, during which very substantial reductions were made in automobile prices, thus materially affecting the value of our collateral. In connection with any period of depression or deflation it should be pointed out that the bulk of instalment obligations held at any time liquidates very rapidly, thus escaping the usual effects of a protracted period of depression; for example, of the total consumers' obligations held, 36% would be liquidated in three months, 64% in six months, and 85% in nine months."

Mr. Raskob further states that from the inception of the General Motors Acceptance Corporation in 1919 to October 1, 1926, there were purchased \$819,203,000 of consumers' obligations and the credit loss to October 1 on such obligations aggregated \$1,117,706, or about 1/7th of 1%.

With regard to the dealer losses, Mr. Raskob states:¹ "You will naturally ask what the dealer losses are on account of endorsement or guarantee of purchasers' obligations. The General Motors Acceptance Corporation's service charge includes an amount that is credited to dealers as a reserve to cover such losses. Of course, our books show no detailed record of dealers' losses on account of endorsement or guarantee, but we do know the

¹See note on page 35.

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above-mentioned reserves are more than sufficient to protect them. Periodic examination of dealer accounts show this. For instance, a survey of over 38,000 consumers' obligations purchased by one of our branches from August 1, 1925, to July 31, 1926, aggregating over \$22,000,000, shows that 271 cars were repossessed and that dealers' losses on said cars were less than \$5,000 up to that date."

As Mr. Raskob stated, the experience of his company was not sufficient to determine with any accuracy what would happen in case of a severe economic depression. And therein lies the great question mark regarding instalment selling. While Mr. Raskob pointed out how rapidly the instalment obligations liquidate, the question arises in my mind as to whether or not these obligations would liquidate according to schedule in a period of severe depression and unemployment.

The General Motors Acceptance Corporation being one of the largest if not the largest of the finance companies in the United States, as well as accepting nothing but recourse paper probably has a low a percentage of losses as any company. I have been unable to obtain any reliable figures relative to losses of non-recourse companies but undoubtedly their percentage of loss is higher which is partly covered at least by the higher finance charge collected.

Mr. Arthur W. Newton, vice-president, First National Bank, Chicago, in an article entitled "Who puts up the Money for Instalment Selling," appearing in System, June, 1926, quotes the following statistics regarding repossession of automobiles sold on the instalment basis. Mr. Newton states these statistics were gathered by the secretary of the National Association of Finance Companies:

Repossession Ratio

New Cars

The Down Payment

Repossession %

1/3 cash down	1-3/4%
1/4 cash down	3-4/5%
24% or less cash down	11 %

Used Cars

40% cash down	3 %
36% or less cash	6-1/6%

Average losses on repossessed cars:

12 monthly payments	\$ 50
16-18 monthly payments	78
More than 18 monthly payments	220

Repossession Loss Ratio

New Cars

<u>Monthly Payments</u>	<u>1/3 cash down</u>	<u>1/4 cash down</u>	<u>24% or less cash down</u>
12 months	.163%	.36%	1.041%
16-18 months	.254%	.563%	1.625%
More than 18 months	.716%	1.587%	4.583%

Used Cars

<u>Monthly Payments</u>	<u>40% cash</u>	<u>36% or less cash</u>
12 months	.536%	1.100%
16-18 months	.839%	1.716%
More than 18 months	2.537%	4.840%

Mr. Newton quotes further from resolutions adopted by the Association of Finance Companies: ~~this is one~~

1. Minimum down payment on new passenger cars shall be not less than $33\frac{1}{3}\%$ of cash selling price, or 30% of time selling price including accessories and equipment at the point of delivery, and on used cars not less than 40% of cash price, or 37% of time price.

2. Maximum maturity of instalment paper covering new or used passenger cars shall be 12 months payable in equal monthly instalments.

3. Finance companies shall furnish their depository banks from time to time with a financial statement certified by a recognized certified public accountant, together with replies to the following questionnaire and other information that the banks may request of them."

It seems from the above that insofar as the instalment selling of automobiles is concerned it seems necessary to increase the down payments and decrease the number of montly payments in order to curtail losses. However, within the last year or two the opposite has been true, lower down payments have been accepted and an increase in the number of down payments granted.

What is true of the automobile industry in this respect is undoubtedly true in the case of other commodities. But with the increasing competition the down

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1. Minimum down payment on new passenger cars shall be not less than 35-1/8% of cash selling price, or 30% of time selling price including accessories and equipment at the point of delivery, and on used cars not less than 40% of cash price, or 37% of time price.

2. Maximum maturity of installment paper covering new or used passenger cars shall be 18 months payable in equal monthly installments.

3. Finance companies shall furnish their depositary banks from time to time with a financial statement certified by a recognized certified public accountant, together with replies to the following questionnaire and other information that the banks may request of them."

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What is true of the automobile industry in this respect is undoubtedly true in the case of other commodities. But with the increasing competition the down

payment is becoming ever smaller and the deferred credit ever longer. It would seem that this is one of the danger signs of the system.

Assume an article sells at retail for \$150. Cost to retailer, \$90; selling expenses, overhead charges, etc., \$30; net profit, \$30. Suppose 75 articles are sold the first month; 125 the second month; 175 the third month; 225 the fourth and each month thereafter. Terms of sale \$30 down payment and \$10 per month. Assume that the retailer's obligations must be paid within 30 days and that the selling expenses and overhead charges, etc., are all incurred and paid at time of sale.

(Table follows on next page)

WORKING CAPITAL REQUIREMENTS IF DEALER FINANCES HIS OWN INSTALLMENT BUSINESS.

Assume an article sells at retail for \$150. Cost to retailer, \$90; selling expenses, overhead charges, etc., \$30; net profit, \$30. Suppose 75 articles are sold the first month; 125 the second month; 175 the third month; 225 the fourth and each month thereafter. Terms of sale \$30 down payment and \$10 per month. Assume that the retailer's obligations must be paid within 30 days and that the selling expenses and overhead charges, etc., are all incurred and paid at time of sale:

(Table follows on next page)

THE CALCULATION OF WORKING CAPITAL REQUIREMENTS

Month	Article Sold	Expenditures	Receipts		Cash shortage for month	Working Capital Requirements
			Down Payments	Installment Payments		
1	75	9,000	2,250		6,750	6,750
2	125	15,000	3,750	750	10,500	17,250
3	175	21,000	5,250	2,000	13,750	31,000
4	225	27,000	6,750	3,750	16,500	47,500
5	225	27,000	6,750	6,000	14,250	61,750
6	225	27,000	6,750	8,250	12,000	73,750
7	225	27,000	6,750	10,500	9,750	83,500
8	225	27,000	6,750	12,750	7,500	91,000
9	225	27,000	6,750	15,000	5,250	96,250
10	225	27,000	6,750	17,250	3,000	99,250
11	225	27,000	6,750	19,500	750	100,000
12	225	27,000	6,750	21,750	1,500*	98,500

*Excess receipts

It appears from the foregoing schedule that the minimum working capital requirement would be \$100,000 assuming that all payments were received promptly and that creditors were paid according to terms. This makes no provision for a margin of safety to provide for slow payments, defaults, contingencies that may arise, etc. As provision should be made for such contingencies the actual working capital should be considerably more than \$100,000.

The average retailer would probably experience difficulty in raising this amount of working capital and hence must make arrangements for rather extensive credit if he is to maintain his volume of sales. His bank would probably not be interested in extending him a very large line of credit on the basis of his instalment notes as such loans lack the liquidity which commercial banks should demand. The retailer doing a large instalment business therefore welcomed the advent of the finance company which would discount the instalment notes for him thereby enabling him to increase his capital turnover and do business with a smaller amount of working capital.

But the sound use of credit does not mean the extravagant use of credit -- quite the contrary.

THE FUTURE OF INSTALMENT SELLING

Will the volume of instalment sales continue to increase in the future as it has in the past few years; will it "go ashore on the rock of depression," and thus be greatly curtailed, or will it "hold its own?" These are questions about which there is much speculation and a great deal of difference in opinion. Many are very optimistic about the future of the system, others are equally pessimistic. Who can foretell with any assurance? Time alone can answer.

Consumers credit if properly used is probably as sound economically as any form of credit but the very nature of such credit seems to be such as to invite abuses and these abuses are aided and abetted by the ever increasing competition in retail merchandising.

Mr. Walter E. Lagerquist in an article entitled, "Financing Instalment Sales," appearing in System, March, 1926, writes as follows:

"Every sound form of credit with which American business has had experience has proved a boon to business when it was carefully and honestly administered. But the sound use of credit does not mean the extravagant use of credit -- quite the contrary.

"Instalment buying must accomplish a twofold purpose:

1. The plan must increase sales and in the end increase profits for the merchant.
2. The individual who mortgages his future income in order to obtain an immediate use of the goods or property must receive some advantage. This must be either direct or indirect.

"The test for the individual is the greater fitness for his job, together with a higher income. In this we must include anything affecting living conditions that increase his efficiency, and so results in a large future income.

"The whole experience of American business has been one of mortgaging the future. It is sound practice for either the individual or business to mortgage its future income so long as the payments can be met as they mature and the future income has been increased.

"Fundamentals to be considered in adopting instalment selling:

1. Does character of product justify the use of the instalment plan in its sale?
2. Life of the instalment contract should be within the life of the article sold. Complete payment should usually not extend beyond one-third of the life of the commodity."

In the light of Mr. Lagerquist's deductions, it seems as though instalment selling has been developing

along unsound lines in some respects; namely, in extravagant buying on the part of some, encouraged by high pressure selling and emphasis on the easy payments, in the reduction of down payments and in the increase in the total time required to complete the payments.

In tabulating the results of a questionnaire submitted by the writer to representative houses doing an instalment business I find that there is a difference in opinion as to whether the practice of selling low-priced merchandise is economically sound. Some will sell any of their goods on instalments, while others have established a practice of not selling merchandise on instalments which has a retail price below a fixed minimum. This minimum retail price varies with different firms from \$30 to \$60, depending on the house. The majority agree that they could not maintain their volume of sales without the use of the instalment system. However, while some department stores report that they could not maintain their volume of sales if the practice was dropped, one of the largest department stores in New York City¹ does a strictly cash business, having neither a system of charge accounts nor of instalment selling, and they apparently are increasing their business.

My understanding of the matter is that this concern, by eliminating the selling expense of conducting

¹R. H. Macy Company

charge accounts and instalment sales, is enabled to give their customers the benefit of lower prices and thereby increase their volume of business. It would seem that other stores could successfully adopt the same policy. I believe there are many people now buying on the instalment plan who could and would pay cash if by so doing they could obtain a substantial price advantage.

Senator James Couzens in an article entitled, "The Instalment Buyer Worries Me" appearing in the Nation's Business, December, 1926, states that he feels that instalment buying is detracting from character building of young people by make it so easy for them to obtain articles. He further states that in his opinion the future earnings are mortgaged so that the buyer does not have savings to use if opportunity offers.

It seems there is food for thought in Senator Couzens' deductions. Most of us who lived before the age of easy payments have had the experience of saving for the purchase of some particular article and have had the satisfaction of seeing the object accomplished. Experiencing the sacrifice that goes with such accomplishments no doubt is a factor in character building. The inculcation of the habit of thrift is certainly

not to be deplored. Many people feel that instalment buying tends to make the buyers more thrifty. While this may be so to a certain extent it seems to me that too many people pledge too large a portion of their earnings for payments on purchases of merchandise, instead of placing some portion of these earnings in savings institutions.

There is a tendency on the part of advocates of instalment selling to point to the increasing savings bank deposits and the increasing purchasing of life insurance as results of the thrift habit inculcated by the instalment systems. I am not convinced that the instalment buyers are the owners of the increased savings deposits. The increase in real wages together with the Eighteenth Amendment to the Federal Constitution has, in my opinion, contributed in no small way to the increased savings, as they have to the increase in the volume of instalment sales.

It would not seem that because the volume of instalment sales and the total of savings bank deposits have increased concurrently we have any right to assume that either is the main contributing cause to the other. I have no doubt that many of the savings accounts belong to people who are not addicts of the dollar down and the dollar a week system.

In all probability instalment selling, like the poor, will be always with us. There will, however, no doubt be a stabilization of the system. Sellers will give more attention to the risk involved, down payments will probably be increased and the length of the credit period decreased, thereby eliminating the poorer risks and cutting down the losses both to the seller and the purchaser. The system, running as it has more or less rampant during the last few years, must be stabilized. Probably a sudden and serious depression would do more to effect this stabilization than any other one thing.

Unless there is a continual and substantial increase in the total income of people buying on deferred payments, I do not see how the volume of instalment sales can increase indefinitely. Credit safety makes it unwise to allow the percentage of consumers' credit to consumers' purchases to increase beyond a certain point, hence when that point is reached I do not see how the volume of instalment sales can increase materially unless the total consumers' income increases.

While passing along one of the principal streets in Boston recently I noticed the following sign in the window of a jewelry shop. Surrounding the placard was an assortment of mahogany clocks. "Clocks reduced to

\$6.75, payments 50¢ per week." I am of the opinion that the sale of such low-priced merchandise on an instalment basis is unsound, both economically and socially, and I cannot but feel that future stabilization of this system of merchandising will tend to eliminate the extremely low-priced goods from the list of merchandise that can be purchased on so-called easy payments.

I cannot bring myself to believe that it is economically sound to allow any system of consumers' credit to run unbridled and uncontrolled. Such procedure would tend to break down the finer sense of the moral obligation on the part of the scrupulous as well as the unscrupulous.

There are four methods by which profits may be taken up, as follows:

1. Calculate the total profit on the selling price, as is done in the case of cash or charge sales, taking up the entire profit in the year in which the sale is made.

2. Allocate a portion of each instalment paid to profit and a portion to cost. The ratio used for such allocation is the ratio of the total gross profit to the selling price.

3. Consider all instalment payments as a return

THE ACCOUNTING PROBLEM

While the general procedure of accounting for instalment sales does not differ materially in theory from the accounting for cash and charge sales, owing to the extended period during which payments are made, together with the possibility of repossessions of merchandise there arises the necessity of a difference in the procedure of taking up the profits on the sale. While in the cases of cash or charge sales the entire profit is taken on the books in the period in which the sale occurred, it seems to be a more sound practice in the case of instalment sales to defer taking up the entire profit until the goods are entirely paid for. There are four methods by which profits may be taken up, as follows:

1. Calculate the total profit on the selling price, as is done in the case of cash or charge sales, taking up the entire profit in the year in which the sale is made.
2. Allocate a portion of each instalment paid to profit and a portion to cost. The ratio used for such allocation is the ratio of the total gross profit to the selling price.

3. Consider all instalment payments as a return

of cost until the entire cost of the goods has been met, then take up all subsequent payments as profits.

4. Consider the first payments as profit until entire profit is taken up, and then consider subsequent payments as return of cost.

Assume that on January 2, 1929, A. B. Collins purchases a piano from the Harmony Music Company for \$600. The terms of the sale are \$150 cash at time of purchase and \$15 per month, payable on the first of each month, for 30 months. The selling price of \$600 includes all carrying charges so that the purchaser has no interest to pay on unpaid balances. The piano cost the Harmony Music Company \$300.

The accounting procedure according to method #1 would be as follows:

Entries at time of Sale.

January 2, 1929

Accounts Receivable, Dr.	\$ 600	
Sales, Cr.		600

To record sale to A. B. Collins

or:

Instalment Accounts Rec., Dr.	600.	
Instalment Sales, Cr.		600

To record sale to A. B. Collins

January 2, 1929 (Con'd)

Cash, Dr.	\$150	300
Accounts Receivable, Cr.		150

To record initial payment received
from A. B. Collins

or:

Cash, Dr.	150	
Instalment Accounts Rec., Cr.		150

To record initial payment received
from A. B. Collins

The ledger accounts would appear as follows:

On the first of each month when the monthly instalment
is paid, the entry would be as follows:

February 1, 1929, - etc.

Cash, Dr.	15	
Accounts Receivable, Cr.		15

To record monthly payment received
from A.B.Collins

or:

Cash, Dr.	15	
Instalment Accounts Rec., Cr.		15

To record monthly payment received
from A. B. Collins

At the end of the fiscal period, the entries would
be:

December 31, 1929

Sales, Dr.	\$300	
Cost of Sales, Cr.		300

To close Cost of Sales into Sales

or:

Instalment Sales, Dr.	\$300	
Cost of Instalment Sales, Cr.		300
To close Cost of Instalment Sales into Instalment Sales		
Sales, or Instalment Sales, Dr.	300	
Profit & Loss, Cr.		300
To close profit on Instalment Sales into Profit & Loss		

The ledger accounts would appear as follows:

CASH		
Dr.	:	Cr.
1929	:	
1/2 Down payment (A)	150	:
2/1 Monthly payment (B)	15	:
Same entry as above on March 1 and each succeeding month to and including Dec. 1 (B)	Total 150	:

ACCOUNTS RECEIVABLE (or)	INSTALMENT ACCOUNTS RECEIVABLE
1929	:1929
1/2 Sale (C)	600
	1/2 Down payment (A) 150
	2/1 Eleven monthly to Payments (B) 165
Balance unpaid, \$285	:12/1

The above method of recording such sales and the profit thereon could well be used. In complying with the Federal income tax regulations, however, it is desirable to defer a portion of the profit, as will be explained in detail later.

SALES (or) INSTALMENT SALES			
1929		:1929	
Dec.31 Cost of Sales			
(D)	300	Jan. 2 (C)	600
" 31 Gross profit			
(E)	300		
	<u>\$600</u>		<u>\$600</u>
	:		
	:		
	:		
	:		
	:		

METHOD B

COST OF SALES (or) COST OF INSTALMENT SALES			
1929		:1929	
Dec. 31 Cost	300	Dec. 31 To Sales (D)	<u>300</u>
	:		
	:		
	:		
	:		

PROFIT & LOSS			
		:1929	
		Dec. 31 Gross Profit on	
		Instalment	
		Sales (E)	300
		:	
		:	
		:	
		:	
		:	
		-O-	

The Balance Sheet would show an asset of Accounts Receivable or Instalment Accounts Receivable amounting to \$285.00.

If the instalment sales of a company are few, it might not be worth while to defer a part of the profit on such sales, and the above method of recording such sales and the profit thereon could well be used. In complying with the Federal income tax regulations, however, it is desirable to defer a portion of the profit, as will be explained in detail later.

—○—

Some companies defer the profit for income tax purposes but in compiling statements for their own use they compute profits as above described, setting up adequate reserves to take care of any shrinkage.

METHOD B

January 2, 1929

Instalment Accounts Receivable, Dr.	\$600	
Instalment Sales, Cr.		\$600

To record instalment sale of piano to A. B. Collins

Cash, Dr.	150	
Instalment Accounts Rec., Cr.		150

To record initial payment

Unrealized Profit on Instal. Sales	75	
Profit & Loss, Cr.		75

To transfer to P & L the portion of the initial payment that represents profit.

February 1, 1929

Cash, Dr.	15	
Instalment Accts. Rec., Cr.		15

To record monthly payment

Unrealized Profit on Instalment Sales, Dr.	7.50	
Profit & Loss, Cr.		7.50

To transfer to P & L the portion of the monthly payment which represents profit.

Similar entries to the last two would be made upon receiving each monthly payment:

1929	Jan. 2 Sale (A)	600	Jan. 2 Down Payment (B)	150
			Feb. 1 Monthly payments,	
	December 31, 1929, (C)			165

Instalment Sales, Dr. \$300
Cost of Instalment Sales, Cr. 300

To transfer to Instalment Sales the cost of such sales.

1929	Dec. 31 Instalment Sales, Dr. (A)	300	
	Deferred Profit on Instalment Sales, Cr.		300

To bring onto the books the deferred profit on instalment sales for the year. Debits have been made to this account as payments have been made.

The ledger accounts would appear as follows:

1929	Dec. 31 Cost of Instalment Sales	300
------	----------------------------------	-----

CASH

1929	Jan. 2 Down Payment (B)	150
	Feb. 1 Monthly payment (C)	15
	Mar. 1 to 10 monthly payments	165

Balance of account \$142.50 representing profit on

INSTALMENT ACCOUNTS REC.

1929	:	1929	
Jan. 2 Sale (A)	600:	Jan. 2 Down Payment (B)	150
	:	Feb. 1 Monthly payments,	
	:	to 11, (C)	165
	:	Dec. 1	

Balance unpaid \$285

INSTALMENT SALES

1929	:	1929	
Dec.31 Cost of Sales	:	Jan. 2 (A)	600
(D)	300:		
31 Deferred pro-	:		
fit on instal.	:		
sales (E)	300:		
	<u>600:</u>		<u>600</u>

COST OF INSTALMENT SALES

1929	:	1929	
Dec. 31 Cost of Instal.	:	Dec. 31 (D)	300
ment Sales	<u>300:</u>		<u>300</u>

DEFERRED PROFIT ON INSTALMENT SALES

1929	:	1929	
Jan.2 Portion of profit	:	Dec. 31 Deferred profit	
in initial pay-	:	on sales (E)	300
ment (F)	75.:		
Feb. 1 Profit in 11	:		
to monthly payments	:		
Dec.1 (G)	72.50:		

METHOD C

Balance of account \$142.50 representing profit on instalment sale not taken up.

Cash, Dr.		
Instalment Accts. Rev., Cr.		
To record initial payment	:	1929
	:	Jan. 2. Portion of profit
	:	applicable to
	:	1929 (F)
	:	75.00
Cash, Dr.		
Instalment Accounts Rev., Cr.		
To record monthly payment	:	Feb. 2 Portion of profit
	:	to of monthly pay-
	:	Dec. 1 ments applicable
	:	to 1929 (G)
	:	82.50
Cash, Dr.		
Instalment Accounts Rev., Cr.		
To record monthly payment	:	

The balance of the account, Deferred Profits on Instalment Sales, \$142.50, would be shown on the liability side of the balance sheet as a deferred income item. The profit from instalment sales taken into the current profits would amount to \$157.50.

The balance of the Instalment Accounts Receivable account would appear in the Balance Sheet at \$285.00, the same as in Method A.

This method is conservative and at the same time in keeping with the ruling of the Treasury Department relative to collection of Federal income taxes. It takes up the profit as received, thereby tending to equalize the annual profits as shown on the books.

METHOD C

January 2, 1929

Instalment Accounts Receivable, Dr.	\$ 600	
Instalment Sales, Cr.		600
To record sale of piano to A.B.Collins		

Cash, Dr.	150	
Instalment Accts. Rec., Cr.		150
To record initial payment		

February 1, 1929

Cash, Dr.	15	
Instalment Accounts Rec., Cr.		15
To record monthly payment		

March 1, 1929

Cash, Dr.	15	
Instalment Accounts Rec., cr.		15
To record monthly payment		

April 1, 1929

Cash, Dr.	15	
Instalment Accounts Rec., Cr.		15
To record monthly payment		

May 1, 1929

Cash, Dr.	15	
Instalment Accounts Rec., Cr.		15
To record monthly payment		

June 1, 1929

Cash, Dr.	15,	
Instalment Accounts Rec., Cr.		15

To record monthly payment

July 1, 1929

Cash, Dr.	15	
Instalment Accounts Rec., Cr.		15

To record monthly payment

August 1, 1929

Cash, Dr.	15	
Instalment Accounts Rec., Cr.		15
To record monthly payment		

September 1, 1929

Cash, Dr. 15
 Instalment Accounts Rec., Cr. 15
 To record monthly payment

October 1, 1929

Cash, Dr. 15
 Instalment Accounts Rec., Cr. 15
 To record monthly payment

November 1, 1929

Cash, Dr. 15
 Instalment Accounts Rec., Cr. 15
 To record monthly payment

December 1, 1929

Cash, Dr. 15
 Instalment Accounts Rec., Cr. 15
 To record monthly payment

December 31, 1929

Instalment Sales, Dr. 300
 Cost of Instalment Sales, Cr. 300

To close Cost of Instalment Sales
 into Instalment Sales

December 31, 1929

Instalment Sales, Dr. 300
 Unrealized Profit on Instalment
 Sales, Cr. 300

To close Unrealized Profit out of
 Instalment Sales account

December 31, 1929

Unrealized Profit on Instalment Sales 15
 Profit & Loss 15

To close into Profit & Loss the Un-
 realized profit on Instalment Sales

The previous payments having returned the cost of the piano, this and future payments are closed into Profit & Loss:

Ledger accounts

UNREALIZED PROFIT ON INSTALLMENT SALES		C A S H
1929		:
Jan. 2 (B)	150	:
Feb. 1 Eleven monthly to payments (C)	165	:
Dec. 1		:
Balance of account		:

INSTALLMENT ACCOUNTS RECEIVABLE		
1929		: 1929
Jan. 2. Sale (A)	600	: Jan. 2 Down payment (B) 150
		: Feb. 1 Eleven monthly pay- 165
		: to ments (C)
		: Dec. 1
Balance of Account \$285		:

The balance of the Accounts Receivable account is the same as before, \$285, and appears on the balance

INSTALLMENT SALES		
1929		: 1929
Dec. 31 Cost of Instal. Sales (D)	300	: Jan. 2 (A) 600
31 Unrealized profits (E)	300	:
	<u>600</u>	: <u>600</u>

This method is used frequently in cases where the goods sold depreciate very rapidly and would be worth

little if anything in the case of repossession. It is also a desirable

COST OF INSTALMENT SALES

	: 1929	
clothing sold on instalment	: Dec.31 Instalment Sales	
	: (D)	\$300
such articles cannot be repossessed	:	
	:	

METHOD B

UNREALIZED PROFIT ON INSTALMENT SALES

1929	: 1929	
Dec.1 Profit from	: Dec. 31 Unrealized Profit	
Insta monthly pay-	: able, Cr (E)	300
ments (F)	: 15	
To record sale of piano	: A.E.Collins	
Balance of account	:	
Cash, Dr.	: \$285	
Instalment Accounts Rec., Cr.	:	135
To record initial payment	:	

PROFIT & LOSS

Profit & Loss	: 1929	
To take up initial payment	: Dec. 31 Profit realized	
	: as prof (F)	15
	:	
	:	
	: February 1, 1929	

The balance of the Accounts Receivable account is the same as before, \$285, and appears on the balance sheet as an asset.

The balance of the account Unrealized Profit on Instalment Sales is \$285, and appears on the balance sheet as a deferred profit item on the liability side.

This method is used frequently in cases where the goods sold depreciate very rapidly and would be worth (The same entry would be made upon the receipt of each monthly payment.)

little if anything in the case of repossession. It is also a desirable method to be used in the cases of clothing sold on instalments, as for sanitary reasons such articles cannot be repossessed.

METHOD D

January 2, 1929

Instalment Accounts Receivable, Dr.	\$600	
Instalment Sales, Cr.		600

To record sale of piano to A.B.Collins

Cash, Dr.	150	
Instalment Accounts Rec., Cr.		150

To record initial payment

Unrealized Profit on Instalment Sales, Dr.	150	
Profit & Loss		150

To take up initial payment as profit

February 1, 1929

Cash, Dr.	15	
Instalment Accounts Rec., Cr.		15

To record monthly payment

(The same entry would be made upon the receipt of each monthly payment)

Unrealized Profit on Instalment Sales, Dr.	15	
Profit & Loss, Cr.		15

To take up monthly payment as profit

(The same entry would be made upon the receipt of each monthly payment up to and including that of November 1, at which time the profit (entire) on the sale will have been taken up.)

little if anything in the case of repossession. It is also a desirable method to be used in the case of clothing sold on instalments, as for sanitary reasons such articles cannot be repossessed.

METHOD D

January 2, 1933

Instalment Accounts Receivable, Dr.	\$600
Instalment Sales, Cr.	600
To record sale of piano to A.B. Collins	
Cash, Dr.	150
Instalment Accounts Rec., Cr.	150
To record initial payment	
Unrealized Profit on Instalment Sales, Dr.	150
Profit & Loss	150
To take up initial payment as profit	

February 1, 1933

Cash, Dr.	15
Instalment Accounts Rec., Cr.	15
To record monthly payment	
(The same entry would be made upon the receipt of each monthly payment)	
Unrealized Profit on Instalment Sales, Dr.	15
Profit & Loss, Cr.	15
To take up monthly payment as profit	
(The same entry would be made upon the receipt of each monthly payment up to and including that of November 1, at which time the profit (entire) on the sale will have been taken up.)	

December 31, 1929

Instalment Sales, Dr.	\$ 300	
Cost of Instalment Sales, Cr.		300
To close cost of instalment sales into instalment sales.		

Instalment Sales, Dr.	300	
Unrealized Profit on Instalment Sales Cr.		300

To close unrealized profit out of instalment sales account

Ledger accounts

C A S H	
1929	:
Jan.2 Down payment (A)	150 :
Feb.1 Eleven monthly to payments (B)	165 :
Dec. 1	:

INSTALMENT ACCOUNTS RECEIVABLE	
1929	:
Jan.2 Sale (C)	600 :
Feb.1 Eleven monthly to payments (B)	165 :
Dec.1	:
Balance of account, \$285	:

INSTALMENT SALES	
1929	:
Dec.31 Cost of Instal. Sales (D)	300 :
31 Unrealized profits (E)	300 :
	<u>600</u> :
	:
	:
	:

COST OF INSTALMENT SALES

1929	:	1929	
Dec.31 Cost of Instal.	:	Dec.31 To Instalment	
Sales	:	Sales (D)	
	:		<u>300</u>

UNREALIZED PROFIT ON INSTALMENT SALES

1929	:	1929	
Jan.2 Down payment	:	Dec.31 Unrealized Profit	
(F)	:	(E)	
	:		300
Feb.1 10 monthly	:		
to payments (G)	:		
	:		<u>150</u>
Nov.1	:		
	:		<u>300</u>

PROFIT & LOSS

:	1929	
:	Dec.31 Down payment (F)	150
:	Feb. 1 10 monthly payments	
:	to (G)	150
:	Nov. 1	
:		
:		

The balance of the Instalment Accounts Receivable account would be \$285, as in the previous cases, and would appear on the balance sheet as an asset. The entire profit would be taken up during the first year and would appear in the net income for the year.

This method is far from conservative and should rarely if ever be used. There appears to be no advantage to be gained in its use. It should never be used unless the article sold is of long life with a slow

COST OF INSTALLMENT SALES

1929	Dec. 31 Cost of Instal.	1929	Dec. 31 To Installment Sales (D)
	300		300

UNREALIZED PROFIT ON INSTALLMENT SALES

1929	Jan. 2 Down payment (F)	1929	Dec. 31 Unrealized Profit (D)
	150		150
	Feb. 1 to monthly payments (G)		150
	to		300
	Nov. 1		300

PROFIT & LOSS

1929	Dec. 31 Down payment (F)	1929	Dec. 31 To monthly payments (G)
	150		150
	Feb. 1 to		to
	Nov. 1		Nov. 1

The balance of the Installment Accounts Receivable account would be \$285, as in the previous cases, and would appear on the balance sheet as an asset. The entire profit would be taken up during the first year and would appear in the net income for the year.

This method is far from conservative and should rarely if ever be used. There appears to be no advantage to be gained in its use. It should never be used unless the article sold is of long life with a slow

THE REPOSSESSION PROBLEM

depreciation rate, so that the article will be worth at least its cost value after the entire profit has been taken up. The method is not recommended but is simply shown as an illustration of how to handle the transaction if for any reason it is desirable to take up the entire profit before taking up the cost.

It would be desirable to maintain a perpetual inventory of merchandise to be sold on instalments regardless of the method used for ascertaining profits. Such an inventory would facilitate the determining of the cost of instalment sales.

any excess over the original purchase price, in case the payments made by the original purchaser plus the money received from the resale exceeded the original selling price plus the cost of reconditioning and resale. Suppose the Harmony Music Company is able to sell the reconditioned instrument on November 1, 1929, for \$450 cash. There is a selling expense of \$15. involved in the resale. The procedure would be as follows:

Original Selling Price	\$500
Payments received from original purchaser,	
initial payment \$150	
plus eight monthly payments of \$15 each	\$270
Cash received from resale	450
	<u>\$720</u>

THE REPOSSESSION PROBLEM

Suppose that after making eight of the monthly payments Mr. Collins is unable to continue the instalments and The Harmony Music Company is obliged to repossess the piano. Suppose further that it costs the company twenty-five dollars to recondition the piano so that it can be resold. Under the laws of some states the company will be allowed to keep as rental money all payments made to the date of repossession. Under the laws of other states the company will have to return to the original purchaser any excess over the original purchase price, in case the payments made by the original purchaser plus the money received from the resale exceeded the original selling price plus the cost of reconditioning and resale. Suppose the Harmony Music Company is able to sell the reconditioned instrument on November 1, 1929, for \$450 cash. There is a selling expense of \$15. involved in the resale. The procedure would be as follows:

Original Selling Price	\$600
Payments received from original purchaser, initial payment \$150 plus eight monthly payments of \$15 each	\$270
Cash received from resale	450
	<u>\$720</u>

Brought forward

\$720 \$600

Less:

Expense of reconditioning \$25

Selling expense of resale 15 \$40

Net return from both sales 680

Additional profit from resale \$ 80

Assuming the Method B, described in the preceding chapter, was used in accounting for the original sale and that the sale was made in a state allowing the seller to retain all payments, the entries on the books of the seller would be as follows:

Repossessed Merchandise, Dr.	330	
Instalment Accounts Rec., Cr.		330

To bring onto the books repossessed goods at the amount due from purchaser

Reconditioning Expense, Dr.	25	
Cash, Dr.		25

Expense of putting repossessed merchandise in condition to be resold

Selling Expense, Dr.	15	
Cash, Cr.		15

Expense of making second sale

Cash, Cr.	450	
Sales, Cr.		450

To record sale of repossessed merchandise

Sales, Dr.	330	
Repossessed Merchandise, Cr.		330

To close into sales the value of repossessed goods in order to compute the profit on the re-sale.

Sales, Dr.	120	
Profit & Loss, Cr.		120

To close profit on the resale
into profit & loss

Unrealized Profit on Instalment Sales, Dr.	165	
Profit & Loss, Cr.		165

To take up the balance of unrealized profit on the first sale.

Profit & Loss, Dr.	40	
Selling Expense, Cr.		15
Reconditioning Expense, Cr.		25

To close expense of recondition-
ing and re-selling into Profit
& loss.

Ledger Accounts:

CASH

1929				1929		
Jan. 2	(A)	150		Oct.15	Reconditioning	
Feb. 1	8 monthly				Expense (C)	25
to	payments(B)	120		Nov. 1	Selling Exp.	
Sept.1					(D)	15
Nov. 1	Resale (M)	450				

INSTALMENT ACCOUNTS REC.

1929			:	1929		
Jan. 2	Sale (E)	600	:	Jan. 2	Down payment(A)	150
			:	Feb. 1	8 monthly	
			:	to	payments (B)	120
			:	Sept.1		
			:	Oct. 3	Repossession(N)	330
		<u>600</u>				<u>600</u>

INSTALLMENT SALES

1929	:	1929	
Dec. 31 Cost of Inst. sales (F)	300	Jan. 2 (E)	600
Dec. 31 Unrealized Profit (G)	300		
	<u>600</u>		<u>600</u>

COST OF INSTALLMENT SALES

1929	:	1929	
Dec. 31 Cost	<u>300</u>	Dec. 31 To Instalment Sales (F)	<u>300</u>

UNREALIZED PROFIT ON INSTALLMENT SALES

1929	:	1929	
Jan. 2 Down payment (H)	75	Dec. 31 (G)	300
Feb. 1 8 monthly payments (I)	60		
Sept. 1	:		
Oct. 1 Repossession to P & L (J)	165		
	<u>300</u>		<u>300</u>

SALES

1929	:	1929	
Nov. 1 Repossession (K)	330	Nov. 1 Resale (M)	450
Dec. 31 To profit & loss (L)	120		
	<u>450</u>		<u>450</u>

REPOSSESSED MERCHANDISE

1929	:	1929	
Oct. 3 Repossession (N)	330	Nov. 1 To close into Sales (K)	330
	<u>330</u>		<u>330</u>

SELLING EXPENSE

1929	:	1929	
Nov. 1 (C)	15	Dec.31 To profit & loss	
	:	(O)	15
	==		==
	:		

RECONDITIONING EXPENSE

1929	:	1929	
Oct. 15 (C)	25	Dec.31 To profit & loss	
	:	(P)	25
	==		==
	:		

PROFIT & LOSS

1929	:	1929	:
Dec.31 Selling Exp.		Jan. 2 Down Payment(H)	75
(O)	15	Feb. 1 8 monthly pay-	
Dec.31 Recondition-		to	ments (I)
ing (P)	25	Sept.1	60
Dec.31 Net Profit	380	Oct. 3 Repossession (J)	165
		Dec.31 From sales (L)	120
	<u>420</u>		<u>420</u>

The Net Profit of \$380 is total profit on the two sales.

Assume that the sale was made in a state where the law requires the return to the original purchaser of any net excess over the original selling price. The entries would be as follows:

Repossessed Merchandise, Dr.	330	
Instalment Accounts Rec., Cr.		330

To bring onto the books repossessed goods at the amount due from the purchaser.

Selling Expense, Dr.	15	
Cash, Cr.		15

Expense of making second sale

Cash, Dr.	450	
Sales, Cr.		450

Recording sale of repossessed merchandise

Sales, Dr.	330	
Repossessed Merchandise, Cr.		330

To close into sales the value of repossessed goods in order to compute the profit on the resale.

Sales, Dr.	120	
Profit & Loss, Cr.		120

To close profit on the resale into profit & loss

Unrealized Profit on Instalment Sales, Dr.	165	
Profit & Loss, Cr.		165

To take up the balance of unrealized profit on the first sale

Profit & Loss, Dr.	40	
Selling Expense, Cr.		15
Reconditioning Expense, Cr.		25

To close expense of reconditioning and re-selling into Profit & Loss

Profit & Loss, Dr.	80	
A. B. Collins		80

To establish on the books the liability in favor of A. B. Collins for the amount which must be returned to him

COST OF INSTALMENT SALES -

1929	:	1929	
Dec. 31 Cost	300	Dec. 31 Instalment Sales (F)	<u>300</u>
	<u> </u>		<u> </u>
	:		
	:		

UNREALIZED PROFIT ON INSTALMENT SALES

1929	:	1929	
Jan. 2 Down Payment (H)	75	Dec. 31 (G)	300
Feb. 1 8 monthly to payments (I)	60		
Sept. 1			
Oct. 3 Repossession to P & L (J)	<u>165</u>		
	<u>300</u>		<u>300</u>
	:		
	:		

SALES

1929	:	1929	
Nov. 1 Repossession (K)	330	Nov. 1 Resale (M)	450
Dec. 31 To Profit & Loww (L)	<u>120</u>		
	<u>450</u>		<u>450</u>
	:		
	:		

REPOSSESSED MERCHANDISE

1929	:	1929	
Oct. 3 Repossession (N)	<u>330</u>	Nov. 1 To close into Sales (K)	<u>330</u>
	:		
	:		

SELLING EXPENSE

1929	:	1929	
Nov. 1 (C)	15	Dec. 31 To Profit & Loss (O)	<u>15</u>
	<u> </u>		<u> </u>
	:		
	:		

RECONDITIONING EXPENSE

1929	:	1929
Oct. 15 (D)	:	Dec. 31 To Profit & L (P) <u>25</u>
<u>25</u>	:	
	:	
	:	
	:	

A. B. COLLINS

1929	:	1929
Nov. 3	:	Nov. 3 Cash due (Q) 80
	:	
	:	
	:	
	:	

PROFIT & LOSS

1929	:	1929
Nov. 3 Due A. B. Collins (Q) 80	:	Jan. 2 Down payment (H) 75
Dec. 31 Reconditioning (P) 25	:	Feb. 1 8 monthly to payments (I) 60
Dec. 31 Selling Exp. (O) 15	:	Sept. 1
Dec. 31 Net Profit <u>300</u>	:	Oct. 3 Repossession (J) 165
<u>420</u>	:	Dec. 31 From Sales (L) 120
	:	<u>420</u>

The net profit \$300 is the same as it would have been had A. B. Collins continued his payments and completed the contract. Mr. Collins loses the difference between what he has paid in, \$270, and the amount returned to him, \$80, or \$190.

In both of the preceding illustrations it has been assumed that The Harmony Music Company was able to resell the piano for cash. However, they might find that in

RECONCILING EXPENSE

1929	1929
Oct. 15 (D)	Dec. 31 To Profit & L (P) 25
<u>25</u>	

A. B. COLLINS

1929	1929
Nov. 3 Cash due (C)	
<u>80</u>	

PROFIT & LOSS

1929	1929
Nov. 3 Due A. B. Collins (C)	Nov. 3 Due A. B. Collins (C)
80	80
Dec. 31 Reconciling (F)	Dec. 31 Reconciling (F)
25	25
Dec. 31 Selling Exp. (C)	Dec. 31 Selling Exp. (C)
15	15
Dec. 31 From Sales (L)	Dec. 31 From Sales (L)
180	180
Repossession (L) 185	
Sept. 1 to payments (L)	
80	
Jan. 3 Down payment (H)	
75	
<u>300</u>	<u>300</u>
<u>430</u>	<u>430</u>

The net profit \$300 is the same as it would have been had A. B. Collins continued his payments and completed the contract. Mr. Collins loses the difference between what he has paid in, \$270, and the amount returned to him, \$80, or \$190.

In both of the preceding illustrations it has been assumed that The Harmony Music Company was able to resell the piano for cash. However, they might find that in

order to dispose of it quickly they would have to sell it again on the instalment plan. Assume that the piano is sold on the same terms as when new; i.e., \$150 at time of purchase and \$15 per month for twenty months:

Calculation of the percentage of profit in the resale value would be as follows:

Original Selling Price	\$600
Payments Received	270
Repossession value	<u>\$330</u>
Resale Price	\$450
Repossession value	330
Gross profit on resale	<u>\$120</u>

Therefore, 36.3% of the down payment and of each monthly payment is taken up as profit.

The entries up to the time of closing the books, December 31, 1929, would appear as follows:

October 3, 1929		
Reposessed Merchandise, Dr.	330	
Instalment Accounts Rec., Cr.		330
To bring onto the books merchandise reposessed.		
Reconditioning Expense, Dr.	25	
Cash, Cr.		25
To bring onto books expense of reconditioning		

December 31, 1929
 Selling Expense, Dr. 15
 Cash, Cr. 15

To bring onto books expense of
 Resale

Instalment Accounts Rec., Dr. 450
 Instalment Sales, Cr. 450

To record resale

Cash, Dr. 150
 Instalment Accounts Rec., Cr. 150

To record down payment

Unrealized Profit on Instalment
 Sales, Dr. 40
 Profit & Loss 40

To close into Profit & Loss
 profit in the down payment

December 5, 1929

Cash, Dr. 15
 Instalment Accounts Rec., Cr. 15

Monthly payment

Unrealized Profit on Instalment
 Sales, Dr. 4
 Profit & Loss, Cr. 4

To close into Profit & Loss profit
 in monthly payment

Instalment Sales, Dr. 300
 Cost of Instalment Sales, Cr. 300

To close into instalment sales
 cost of original sale.

December 31, 1929

Instalment Sales, Dr.	330	
Repossessed Merchandise, Cr.		330

To close into instalment sales
the value of repossessed goods

Instalment Sales, Dr.	420	
Unrealized Profit on Instalment Sales, Cr.		420

To close into instalment sales
the unrealized profit on sales

Unrealized Profit on Instalment Sales, Dr.	165	
Profit & Loss, Cr.		165

To take up balance of unrealized
profit on first sale.

Profit & Loss, Dr.	40	
Reconditioning Expense, Cr		25
Selling Expense, Cr.		15

To close expense accounts into
Profit & Loss

Ledger Accounts

CASH			
1929	:	1929	
Jan. 2 Original down payment (A)	150:	Oct. 5 Reconditioning Exp. (C)	25
Feb. 1 8 monthly payments (B)	120:	Nov. 1 Selling Expense (C) -	15
Sept. 1	:		
Nov. 1 Down payment on resale (Q)	150:		
Dec. 1 Monthly payment (R)	15:		
	:		

INSTALMENT ACCOUNTS REC.

1929	:	1929	
Jan. 2 Original Sale	:	Jan. 2 Down payment	
(E) 600	:	Original (A)	150
Nov. 1 Resale (S) 450	:	Feb. 1 8 monthly pay-	
	:	to ments (B)	120
	:	Sept. 1	
	:	Oct. 3 Repossession	
	:	(N)	330
	:	Nov. 1 Down payment	
	:	on resale (Q)	150
	:	Dec. 1 Monthly pay-	
	:	ment (R)	15
	:		
	:		

Balance of profit not realized, 376.

INSTALMENT SALES

1929	:	1929	
Dec. 31 Cost of Inst.	:	Jan. 2 Original Sale	
Sales (F) 300	:	(E)	600
Dec. 31 Unrealized	:	Nov. 1 Resale (S)	450
profit on	:		
Original	:		
Sale 300	:		
Dec. 31 Repossession 330	:		
Dec. 31 Unrealized	:		
Profit on	:		
resale 120	:		
<u>1050</u>	:		<u>1050</u>

COST OF INSTALMENT SALES

1929	:	1929	
Dec. 31 Cost 300	:	Dec. 31 To Instalment	
	:	Sales (F)	300
	:		

UNREALIZED PROFIT ON INSTALMENT SALES

1929	:	1929	
Jan. 2 Down Payment (H) 75	:	Dec. 31 Original Sale	
Feb. 1 8 monthly	:	(G)	300
to payments (I) 60	:	Dec. 31 Resale	120
Sept. 1	:		
Oct. 3 Repossession	:		
to P & L (J) 165	:		
Nov. 1 Profit in	:		
Down payment	:		
(T) 40	:		
Dec. 31 Profit in	:		
Dec. payment	:		
(W) 4	:		

Balance of profit not realized, \$76.

REPOSSESSED MERCHANDISE

1929	:	1929	
Oct. 3 Repossession	:	Nov. 1 To close in	
(N) 330	:	Instalment Sales	<u>330</u>

SELLING EXPENSE

1929	:	1929	
Nov. 1 (C) 15	:	Dec. 31 To Profit &	
	:	Loss (O)	<u>15</u>

RECONDITIONING EXPENSE

1929	:	1929	
Oct. 15 (D) 25	:	Dec. 31 To Profit &	
	:	Los (P)	<u>25</u>

PROFIT & LOSS

1929	:	1929	
Dec. 31 Selling Exp.	:	Jan. 2 Down payment	
(O) 15	:	(H) 75	
Dec. 31 Recondition-	:	Feb. 1 8 monthly pay-	
ing (P) 25	:	to ments (I) 60	
	:	Sept.1	
	:	Dec.31 Unrealized	
	:	profit on or-	
	:	iginal sales	
	:	(J) 165	
	:	Nov. 1 Down payment	
	:	on resale (T) 40	
	:	Dec.31 Profit in Dec.	
	:	payment (U) 4	
	:		
	:		

At the time of the repossession, the balance of the unrealized profit on the original sale is taken up and the unrealized profit on the resale is brought onto the books.

If the sale was made in a state requiring the return of the excess profit received, the following additional entries would be made.

Profit & Loss, Dr. 80
A. B. Collins, Cr. 80

To establish the liability of the amount to be returned to Mr. Collins

A. B. Collins, Dr. 80
Cash, Cr. 80

To record return of money to A. B. Collins

COLLECTIONS & RESERVES

Experience shows that the smaller the down payment or the longer the credit the greater the percentage of repossessions and losses. In other words, the more the purchaser stands to lose the greater his attempt to meet the maturing payments.

The majority, if not all, of the legitimate instalment houses dislike to repossess merchandise except as a last resort. Repossession means not only the expense of reconditioning and resale but also the possibility of the loss of good will of customers. Because of the loss which he sustains the purchaser is likely to become bitter, not only against the seller, but against the whole system of instalment payments.

It is obvious then that dealers merchandising in this way must maintain an efficient collection department. Methods of collection of this type of receivables do not differ materially from methods used to collect any outstanding accounts. However, the various states differ in their laws regarding conditional sales and it is therefore necessary for the collection department to be thoroughly conversant with such laws in the states in which the firm is selling merchandise on instalments. Failure to

be informed regarding these laws may result in losses because of inability to legally repossess the goods.

Credit depends upon two factors, the ability and willingness of the debtor to pay. It seems that the majority of people are honest which means that they are willing to pay, but sometimes the ability is lacking which, of course, makes a poor credit risk. But the few who are dishonest, lack the willingness to pay, undoubtedly cause the collection department the greatest amount of trouble.

During the era of rapidly mounting volume of instalment selling the actual losses of the sellers appear to be surprisingly low. This is probably due to the ability to repossess the goods in the majority of cases, together with the high rate of gross profits which means that a comparatively few payments will return the cost price of the goods, so that the majority of the loss is really only the loss of potential profits. Losses on retail instalment sales seem to fall between one-half of one percent and five per cent of the selling price of the goods. One furniture house doing almost exclusively an instalment business with about twenty thousand active instalment accounts, reports that approximately five per cent of their sales prove bad which means an actual loss to them of about two per cent.

They further report that about ninety percent of their sales which prove uncollectible go bad very soon after the purchase. As the purchaser increases the amount he has paid in, thereby increasing his loss in case of default, the greater effort he makes to meet the payments. This particular firm has a mark-up of 100% or more on all merchandise and in addition charges six percent interest on unpaid balances. It therefore appears that the down payment plus a comparatively few weekly or monthly payments will probably return them their cost.

The method of providing for the probable loss on bad accounts is the same as for providing for probable bad debts if selling on the open account plan. An adequate reserve is established to take care of these losses. The amount of the reserve will depend upon the nature of the business and the experience of that and similar businesses. The entry for establishing this reserve would be as follows:

Loss on Bad Debts, Dr.

Reserve for Loss on Instalments Sales, Cr.

The Loss on Bad Debts account would be closed into Profit & Loss

Profit & Loss, Dr.

Loss on Bad Debts, Cr.

When any of the accounts prove uncollectible, the following entry will be made.

Reserve for Loss on Instalment Sales, Dr.
 Instalment Accounts Receivable, Cr.

Instalment accounts receivable, of course, vary a great deal in their maturity, a portion falling due each month. It seems advisable, therefore, in preparing a balance sheet to show the instalment accounts receivable classified according to their maturity.

For example:

Due in 30 days
 Due in from 30 to 60 days
 Due in from 60 to 90 days
 Not due until after 90 days

In establishing reserves for losses on these receivables, it is well to apply different rates to the different maturities. The rates for the reserves would, of course, depend upon the experience of the particular company.

Name	Total amount	Initial Payment	Rate of Gross Profit	Debit	
				Date	

FEDERAL INCOME TAX PROVISIONS REGARDING THE RETURN
OF PROFIT FROM INSTALMENT SALES

Section 44 of The Revenue of 1928, approved
8 a.m., May 29, 1928, by President Coolidge, reads
as follows:.

(A) Dealers in Personal Property. Under regulations prescribed by the Commissioner with the approval of the Secretary, a person who regularly sells or otherwise disposes of personal property on the instalment plan may return as income therefrom in any taxable year that proportion of the instalment payments actually received in that year which the gross profit realized or to be realized when payment is completed, bears to the total contract price.

(B) Sales of Realty and Casual Sales of Personalty. In the case (1) of a casual sale or other casual disposition of personal property (other than property of a kind which would properly be included in the inventory of the taxpayer (other than property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year), for a price exceeding \$1,000, or (2) of a sale or other disposition of real property, if

in either case the initial payments do not exceed 40 per centum of the selling price, the income may, under regulations prescribed by the Commissionery with the approval of the Secretary, be returned on the basis and in the manner above prescribed in this section. As used in this section the term "initial payments" means the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable period in which the sale or other disposition is made.

(C) Change from Accrual to Instalment Basis. If a taxpayer entitled to the benefits of subsection (A) elects for any taxable year to report his net income on the instalment basis, then in computing his income for the year of change or any subsequent year, amounts actually received during any such year on account of sales or other dispositions of property made in any prior year shall not be excluded.

(D) Gain or Loss upon Disposition of Instalment Obligations. If an instalment obligation is satisfied at other than its face value or distributed, transmitted, sold, or otherwise disposed of, gain or loss shall result to the extent of the difference between the basis of the obligation and (1) in the case of satisfaction at other than face value or a

sale or exchange, the amount realized or, (2) in case of a distribution, transmission, or disposition otherwise than by sale or exchange - the fair market value of the obligation at the time of such distribution, transmission, or disposition. The basis of the obligation shall be the excess of the face value of the obligation over an amount equal to the income which would be returnable were the obligation satisfied in full.

Article 351 of Income Tax Regulation Number 74 reads as follows:

Sale of Personal Property on Installment plan. -- Dealers in personal property ordinarily sell either for cash or on the personal credit of the purchaser or on the installment plan. Dealers who sell on the installment plan usually adopt one of four ways of protecting themselves in case of default:

- (a) By an agreement that title is to remain in the vendor until the purchaser has completely performed his part of the transaction;
- (b) By a form of contract in which title is conveyed to the purchaser immediately, but subject to a lien for the unpaid portion of the purchase price;
- (c) By a present transfer of title to the purchaser, who at the same time executes a reconveyance in the form of a chattel mortgage to the vendor; or

sale or exchange, the amount realized or, (2) in case of a distribution, transmission, or disposition otherwise than by sale or exchange - the fair market value of the obligation at the time of such distribution, transmission, or disposition. The basis of the obligation shall be the excess of the face value of the obligation over an amount equal to the income which would be returnable were the obligation satisfied in full.

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reads as follows:

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Dealers in personal property ordinarily sell either for cash or on the personal credit of the purchaser or on the installment plan. Dealers who sell on the installment plan usually adopt one of four ways of protecting themselves in case of default:

- (a) By an agreement that title is to remain in the vendor until the purchaser has completely performed his part of the transaction;
- (b) By a form of contract in which title is conveyed to the purchaser immediately, but subject to a lien for the unpaid portion of the purchase price;
- (c) By a present transfer of title to the purchaser, who at the same time executes a reservation in the form of a chattel mortgage to the vendor; or

- (d) By conveyance to a trustee pending performance of the contract and subject to its provisions.

The general purpose and effect being the same in all of these cases, the same rule is uniformly applicable. The rule prescribed is that a person who regularly sells or otherwise disposes of personal property on the instalment plan, whether or not title remains in the vendor until the property is fully paid for, may return as income therefrom in any taxable year that proportion of the instalment payments actually received in that year which the total or gross profit (that is, sales less cost of goods sold) realized or to be realized when the property is paid for, bears to the total contract price. Thus the income of a dealer in personal property on the instalment plan may be ascertained by taking as income that proportion of the total payments received in the taxable year from instalment sales (such payments being allocated to the year against the sales of which they apply), which the total or gross profit realized or to be realized on the total instalment sales made during each year bears to the total contract price of all such sales made during that respective year. No payments received in the taxable year shall be included in computing the amount of income to be returned on

(d) By conveyance to a trustee pending performance of the contract and subject to its provisions.

The general purpose and effect being the same in all of these cases, the same rule is uniformly applicable. The rule prescribed is that a person who regularly sells or otherwise disposes of personal property on the installment plan, whether or not title remains in the vendor until the property is fully paid for, may return as income therefrom in any taxable year that proportion of the installment payments actually received in that year which the total or gross profit (that is, sales less cost of goods sold) realized or to be realized when the property is paid for, bears to the total contract price. Thus the income of a dealer in personal property on the installment plan may be ascertained by taking as income that proportion of the total payments received in the taxable year from installment sales (such payments being allocated to the year against the sales of which they apply), which the total or gross profit realized or to be realized on the total installment sales made during each year bears to the total contract price of all such sales made during that respective year. No payments received in the taxable year shall be included in computing the amount of income to be returned on

the ground that they were received under a sale the total profit from which was returned as income during a taxable year or years prior to the change by the taxpayer to the instalment basis of returning income. But in the case of any taxpayer who, by an original return made prior to February 26, 1926, changed the method of reporting his net income for the taxable year 1924 or any prior taxable year to the instalment basis, - see Section 705. Deductible items are not to be allocated to the years in which the profits from the sales of a particular year are to be returned as income, but must be deducted for the taxable year in which the items are paid or incurred or paid or accrued, as provided by Sections 43 and 48. A dealer who desires to compute his income on the instalment basis shall maintain books of account in such a manner as to enable an accurate computation to be made on such basis in accordance with the provisions of this article.

In the case of a casual sale or other casual disposition of personal property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, for a price exceeding \$1,000, income may be returned on the instalment basis provided the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable year in which the

the ground that they were received under a sale the total profit from which was returned as income during a taxable year or years prior to the change by the taxpayer to the installment basis of returning income. But in the case of any taxpayer who, by an original return made prior to February 28, 1936, changed the method of reporting his net income for the taxable year 1934 or any prior taxable year to the installment basis, - see Section 705. Deductible items are not to be allocated to the years in which the profits from the sales of a particular year are to be returned as income, but must be deducted for the taxable year in which the items are paid or incurred or paid or accrued, as provided by Sections 43 and 48. A dealer who desires to compute his income on the installment basis shall maintain books of account in such a manner as to enable an accurate computation to be made on such basis in accordance with the provisions of this article.

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sale or other disposition is made do not exceed 40 per cent of the selling price.

If for any reason the purchaser defaults in any of his payments, and the vendor returning income on the instalment basis, repossesses the property, the entire amount received on instalment payments and retained by the vendor, less the sum of the profits previously returned as income and an amount representing proper allowance for damage and use, if any, will be income of the vendor for the year in which the property is repossessed and the property repossessed must be carried on the books of the vendor at its original cost, less proper allowance for damage and use, if any.

If the vendor chooses as a matter of consistent practice to return the income from instalment sales on the straight accrual or cash receipts and disbursements basis, such a course is permissible.

If an instalment obligation is satisfied, or otherwise disposed of, gain or loss may result therefrom and must be determined in accordance with Section 44 (d) and Article 355.

Article 351 gives the taxpayer the choice of one of two methods of reporting income from the type of instalment sales. Under the first method it is necessary to keep a separate record of the instalment payments on account of instalment sales effected in each

year. The dealer should then be able to tell the total amounts received in 1929 on account of instalment sales effected in 1928, 1927, 1926, etc. He will then return as gross profit the proportion of the instalments received on account of instalment sales effected in each year which the gross profit to be realized on the sales made during such year bears to the gross instalment sales made during that year.

To illustrate: A dealer has always reported on the instalment basis. The dealer during 1927 marks his goods at a price which yields a gross profit of 30 per cent on the selling price. In 1928 the gross profit to be realized on instalment sales is 40 per cent of the selling price. In 1929 the goods are marked to yield a gross profit of 20 per cent on the selling price. During 1929 the dealer makes the following cash collections on account of sales effected in the years indicated: 1927, \$50,000; 1928, \$200,000; 1929, \$400,000. Under the first method the gross profit would be computed as follows:

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amounts received in 1929 on account of installment sales effected in 1928, 1927, 1926, etc. He will then return as gross profit the proportion of the installment received on account of installment sales effected in each year which the gross profit to be realized on the sales made during such year bears to the gross installment sales made during that year.

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Collections in 1929 on account of instalment sales effected in:	Amount of Collection	Profit to be Realized in each year	Gross Profit on collections
1927	\$ 50,000	30%	\$ 15,000
1928	200,000	40%	80,000
1929	400,000	20%	80,000
Gross profit on instalment collections for 1929:			\$ 175,000

The second method permits the taxpayer to treat the obligations of the purchasers as the equivalent of cash provided he follows this course consistently. If he elects this method the entire profit is taxable for the year in which the sales were effected.

If books have been so kept that the cost of each article sold was not shown, gross profit may be determined by taking the average percentage of gross profit on gross sales. If several different lines of merchandise are handled, on which the average percentages of profit differ, the gross profit on the sales of each different class of merchandise should be computed separately. (O. D. 23)

A taxpayer doing business on both a cash and instalment basis, should report profits on the instalment sales as outlined in Article 351, above. The cash sales, each of which represents a completed and closed transaction, should be reported separately, that is, the entire profit derived from every cash sale must be reported as income in the return for the year in which the sale was made. (O.D. 23)

The instalment plan basis is not limited to sellers of chattels as distinguished from sellers of other forms of personal property, such as corporate stock. (S. 1353; O.D. 134)

Expenses. -- A taxpayer employing the accrual method of accounting but returning income from instalment sales on the instalment sales method, is entitled to deduct from the income of any taxable year all of the expenses, allowances and losses which were paid or incurred, or paid or accrued in the taxable year. (Appeal of Blum's Inc., 7 B.T.A. 737.)

Refunded payments. -- The instalment payments received and refunded by the taxpayer in the same year should be excluded from the total instalment payments received before computing the proportion thereof to be returned as income. (Appeal of Blum's, Inc., 7 B.T.A., 737.)

Sales made and cancelled in the same year on account of default in payments: -- Gross sales should be reduced by the total contract price of the cancelled sales. All payments made and forfeited by purchasers should be included, in their entirety, in gross income, though not in gross or net sales upon which the percentage of gross profit on all other sales of the year will be computed. In order that the taxpayer may have advantage of the deduction, in the year of repossession, of the full amount of the loss sustained, if any, through damage and use of merchandise while in the hands of the purchaser, the difference between the value at which such merchandise was included in the opening inventory, or the cost of the merchandise, according to whether it was on hand at the beginning of the year or was purchased during the year, and its value when repossessed, should be deducted from the cost of goods sold and taken as a separate loss deduction from gross income.

Appeal of Blum's, Inc., 7 B.T.A., 737.)

Sales cancelled, on account of default in payments, in a year subsequent to the year or years in which made: -- No deduction in the gross sales of the year should be made. All payments made and forfeited by the purchaser, in the year in which the sale is cancelled, should be included, in their entirety, in gross income for that year, though not in gross or net sales upon which the percentage of profit on sales for the year will be computed. Payments made in prior years should not be taken into account in computing gross income for the year in which the sale was cancelled. The repossessed merchandise should be included in purchases at cost, less proper allowance for damage and use, if any, or at cost, less any part thereof previously recovered through payments made by the purchasers, in prior years, and not returned as income, whichever is lower. When the cost, less allowance for damage and use, is less than cost, less any part thereof previously recovered, the difference should be taken as a loss deduction from gross income of the year of re-possession.

The cost of repossessed merchandise should be determined by applying to the contract price (selling price to defaulted purchaser) that percentage rate

which is complementary to the percentage rate of profit for the year in which the sale was made. For example, if the rate of profit is 40% of the contract price, then 60% thereof must represent the cost of the article. (Appeal of Blum's, Inc., 7 B.T.A. 737.)

Change from accrual method to instalment sales method of returning income. -- Section 44 (c) of the 1928 Act specifically provides that, if a taxpayer changes to the instalment basis, then in computing his income for the year of change or any subsequent year, amounts actually received during any such year on account of sales or other dispositions of property made in prior years shall not be excluded.

The reason for this provision is that during the period of transition from the accrual to the instalment sales method the income would be considerably distorted. The rule in question has been adopted to overcome this distortion of income during the first few years after the change from the accrual to the instalment sales method.

Meaning of "casual". -- The ordinary signification of the word "casual" is something which comes without regularity, and is occasional and incidental. Its meaning may be more clearly understood by reference to its antonyms, which are "regular," "systematic," "periodic," and "certain." Therefore, a sale

which is complementary to the percentage rate of profit for the year in which the sale was made. For example, if the rate of profit is 40% of the contract price, then 60% thereof must represent the cost of the article.

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Change from accrual method to installment sales method of returning income. -- Section 44 (c) of the 1938 Act specifically provides that, if a taxpayer changes to the installment basis, then in computing his income for the year of change or any subsequent year, amounts actually received during any such year on account of sales or other dispositions of property made in prior years shall not be excluded.

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made by a regular dealer in the commodity and in the usual course of his trade or business is not a casual sale in spite of the fact that the terms on which the sale was made might have been unusual in that particular business. Furthermore, if the taxpayer is not regularly engaged in selling personal property on the instalment plan, he could not report the profit in question upon the instalment plan basis as laid down in Article 351. (G.C.M. 1162.)

Article 353 of Income Tax Regulation number 74, referring to sale of real property on instalment plan, reads as follows:

Sale of real property on instalment plan. -- In transactions included in class (1) in Article 352, the vendor may return as income from such transactions in any taxable year that proportion of the instalment payments actually received in that year which the total profit realized or to be realized when the property is paid for bears to the total contract price.

If for any reason the purchaser defaults in any of his payments, and the vendor returning income on the instalment basis repossesses the property, the entire amount received on instalment payments and retained by the vendor, less the sum of the profits

whether or not the deferred payments are numerous and previously returned as income and an amount representing proper adjustment for exhaustion, wear and tear, obsolescence, amortization, and depletion of the property while in the hands of the purchaser, will be income of the vendor for the year in which the property is repossessed, and the basis of the property in the hands of the vendor will be the original basis at the time of the instalment sale.

If the vendor chooses as a matter of consistent practice to return the income from instalment sales on the straight accrual or cash receipts and disbursements basis, such a course is permissible, and the sales will be treated as deferred payment sales not on the instalment plan.

In order to have an instalment sale under the Articles 352 and 353, above, it is only necessary that the "initial payment" (cash or property received during the taxable period in which the sale is made, excluding mortgages whether new or assumed by the vendee, but without deducting commissions or other selling expenses of the vendor) be not more than 40 per cent of the selling price (cash, or other property and mortgages, new or assumed.). The question of whether the obligations of the vendee have a fair market value is not material in determining whether there is an instalment sale, nor does it make any difference

whether or not the deferred payments are numerous and spread over a long term of years. Thus, there is an instalment sale where A sells property in 1929 for \$100,000, receiving \$40,000 in cash in that year, the balance being covered by a mortgage payable in 1930.

The regulations make it clear that, in arriving at the part of each payment which is to be returned as income, mortgages assumed by the vendee are deducted from the "selling price" to arrive at the "total contract price." Thus, if A sells for \$100,000 a piece of property which cost him \$50,000, the vendee paying \$25,000 in cash, assuming a mortgage of \$40,000, and giving a new mortgage for \$35,000, the "selling price" is \$100,000, but the "total contract price" is only \$60,000, and this is all that A will receive, since he is in reality selling only his equity. In order that his entire profit of \$50,000 will have been reported by the time he has collected the \$60,000, he must return as income $50,000/60,000$ or $5/6$ of each payment received.

Explanation of the preceding four cases:

In the illustrations following are given four typical cases, showing the determination of the income in each:

Case 1 -- Fifteen thousand dollars, representing mortgages assumed by the vendee, is deducted from the total selling price (\$100,000) to arrive at the contract price which is \$85,000. Since the total profit is \$60,000, and the vendor will collect \$85,000, 60/85 of each payment collected will be income.

Case 3 -- Here Cost to vendor -- is the same as

	Case 1	Case 2	Case 3	Case 4
Cash	\$ 25,000	\$ 40,000	\$40,000	\$25,000
New mortgage	5,000			
Mortgage assumed	9,000			15,000
Mortgage given after purchase			30,000	
Commissions and other expenses on sale	1,000			
Total Cost	40,000	40,000	40,000	40,000

Selling price to vendee --

	Case 1	Case 2	Case 3	Case 4
Cash (initial pay- ment)	25,000	25,000	25,000	25,000
New Mortgage given	60,000	75,000	45,000	75,000
Mortgage assumed	15,000		30,000	
Total Selling Price	100,000	100,000	100,000	100,000
Total profit	60,000	60,000	60,000	60,000
Contract price	85,000	100,000	70,000	100,000
Portion of each pay- ment included in as income	60/85	60/100	60/70	60/100

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Case 2 -- Here the contract price is the same as the purchase price, no existing mortgages being assumed by the vendee, and since the vendor will collect \$100,000 of which \$60,000 will represent profit, 60/100 of each payment will be income.

Case 3 -- The \$30,000 borrowed by the vendor on the property does not, of course, affect his original cost of \$40,000, but since this mortgage is assumed by the vendee, the amount thereof is deducted from the purchase price of \$100,000 to arrive at the contract price of \$70,000, 60/70 of each payment is, therefore, income.

Case 4 -- Here the \$15,000 mortgage is not assumed by the vendee, but the vendor pays it off out of the \$25,000 initial payment which he received, and the vendee gives a new mortgage for \$75,000. The contract price is \$100,000, since this is the total amount which the vendor will receive, and 60/100 of each payment will represent income.

In the case of sales of real estate by persons not regularly engaged in that business, commissions paid, while they do not reduce or otherwise affect the amount of the selling price, may be offset against the selling price in determining the amount

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In the case of sales of real estate by persons not regularly engaged in that business, commissions paid, while they do not reduce or otherwise affect the amount of the selling price, may be offset against the selling price in determining the amount

of gain or loss realized from such sales, and in cases of instalment sales in determining the percentage of profit in each instalment payment which is to be included in gross income. Dealers in real estate should deduct commissions paid for the sale of real estate as a business expense for the year in which paid or accrued, in accordance with the basis on which their books are kept. (I.T. 2305)

There were under consideration contracts for the sale of bungalows where the purchasers are given possession at the date of execution of the contracts of sale, but the deferred payments are not represented by notes or any evidences of indebtedness other than the contracts. However, these contracts are transferable by assignment; are freely pledged, sold, or otherwise dealt in: are not in any respect conditional; and have a fair market value which is readily ascertainable. For the purpose of determining the gain derived or the loss sustained from a deferred payment sale of real estate not on the instalment plan under the facts presented by the instant case, a contract of sale to the extent of its fair market value should be treated as the equivalent of cash received in the year of sale. (G.C.M. 3350.)

Articles 352 and 354 of Income Tax Regulation number 74 refers to deferred-payment sale of real property not on instalment plan, and read as follows:

Sale of real property involving deferred payments. -- Under Section 44 deferred-payment sales of real property fall into two classes when considered with respect to the terms of sale, as follows:

1. Sales of property on the instalment plan, that is, sales in which the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable year in which the sale is made do not exceed 40 per cent of the selling price.

2. Deferred-payment sales not on the instalment plan, that is sales in which the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable year in which the sale is made exceed 40 per cent of the selling price.

Sales falling within class (1) and class (2) alike include (a) agreements of purchase and sale which contemplate that a conveyance is not to be made at the outset, but only after all or a substantial portion of the selling price has been paid, and (b) sales where there is an immediate transfer

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Sales falling within class (1) and class (2) alike include (a) agreements of purchase and sale which contemplate that a conveyance is not to be made at the outset, but only after all or a substantial portion of the selling price has been paid, and (b) sales where there is an immediate transfer

of title, the vendor being protected by a mortgage, or other lien as to deferred payments.

In the sale of mortgaged property the amount of the mortgage, whether the property is merely taken subject to the mortgage or whether the mortgage is assumed by the purchaser, shall be included as a part of the "selling price," but the amount of the mortgage, to the extent it does not exceed the basis to the vendor of the property sold, shall not be considered as a part of the "initial payments" or of the "total contract price", as those terms are used in Section 44, in Articles 351 and 353, and in this article. Commissions and other selling expenses paid or incurred by the vendor are not to be deducted or taken into account in determining the amount of the "initial payments," the "total price," or the "selling price."

Where the obligations of the seller are converted into cash during the taxable year, the amount of such cash must be added to the original cash payment to determine the "initial payment" under Article 352. (I.T. 2339.)

Regulation 74, Article 354:

Deferred-Payment sale of real property not on Instalment plan. -- In transactions included in class

(2) in article 352 the obligations of the purchaser received by the vendor are to be considered as the equivalent of cash to the amount of their fair market value in ascertaining the profit or loss from the transaction.

If the vendor had retained title to the property and the purchaser defaults in any of his payments, and the vendor repossesses the property by agreement or process of law, the difference between (1) the entire amount of the payments actually received on the contract and retained by the vendor and (2) the sum of the profits previously returned as income in connection therewith and an amount representing proper adjustment for exhaustion, wear and tear, obsolescence, amortization and depletion of the property while in the hands of the purchaser, will constitute gain or loss, as the case may be, to the vendor for the year in which the property is repossessed, and the basis of the property in the hands of the vendor will be the original basis at the time of the sale. If the vendor had previously transferred title to the purchaser, and the purchaser defaults in any of his payments and the vendor re-acquires the property, such repossession shall be regarded as a transfer by the vendor, in exchange for the property, of so much of the face value of the purchaser's obligations as are applied by the vendor to the purchase or bid price

of the property. Such an exchange will be regarded as having resulted in the realization by the vendor of gain or loss, as the case may be, for the year of repossession, measured by the difference between the fair market value of the property and the basis in the hands of the vendor of the obligations of the purchaser (generally, the fair market value thereof which was previously recognized in computing income) which were applied by the vendor to the purchase or bid price of the property. The fair market value of the property shall be presumed to be the amount for which it is bid in by the vendor in the absence of clear and convincing proof to the contrary. If the property so acquired is subsequently sold, the basis for determining gain or loss is the fair market value of the property at the date of acquisition.

If the obligations received by the vendor have no fair market value, the payments in cash or other property having a fair market value shall be applied against and reduce the basis of the property sold, and, if in excess of such basis, shall be taxable to the extent of the excess. Gain or loss is realized when the obligations are disposed of or satisfied, the amount being the difference between the reduced basis as provided above and the amount realized therefor. Only in rare and extraordinary cases does pro-

of the property. Such an exchange will be regarded as having resulted in the realization by the vendor of gain or loss, as the case may be, for the year of repossession, measured by the difference between the fair market value of the property and the basis in the hands of the vendor of the obligations of the purchaser (generally, the fair market value thereof) which was previously recognized in computing income) which were applied by the vendor to the purchase or bid price of the property. The fair market value of the property shall be presumed to be the amount for which it is bid in by the vendor in the absence of clear and convincing proof to the contrary. If the property so acquired is subsequently sold, the basis for determining gain or loss is the fair market value of the property at the date of acquisition.

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erty have no fair market value.

The above article provides that in a case where the obligations of the purchaser have no fair market value, the amount of the initial payment shall be applied against and reduce the basis of the property sold, and that gain shall be reported only if and when the amount realized upon the obligations exceeds the basis thus reduced. This would apparently apply irrespective of the amount of the initial payment or of the number of obligations or the period over which they extend. Of course, if the initial payment exceeds the basis, a taxable gain is realized, to the extent of such excess, in the year of sale.

Because of the difficulty in laying down any general rule which will determine accurately whether or not obligations have a fair market value, each case must be determined upon its own facts. For a definition of the term "fair market value" see under Article 33 but no definition of this term proves of much assistance without consideration of all the surrounding circumstances. Although the Treasury Department has, no doubt, closed a great number of cases involving deferred payment sales, there is a scarcity of rulings which might prove of any material assistance.

It cannot be said as a matter of certainty that a second mortgage, or even a third mortgage, has no

fair market value. Many obligations of this sort would, no doubt, have a discount value, while others might even be worth their face value. The burden is upon the taxpayer in any case to show that the obligations of the purchaser have no fair market value or that such fair market value is less than the face value. In the absence of evidence to the contrary, the face value of the obligation is ordinarily assumed to be its fair market value. Any relevant evidence tending to prove the taxpayer's contention may be submitted, but probably the controlling circumstances would be the value of the equity covered by the mortgage.

If the obligations cannot be sold at a reasonable discount, it appears the taxpayer is justified in assuming that they have no fair market value. (O.D.842.)

In the absence of evidence to the contrary, the face value of a second mortgage was accepted as the fair market value thereof in the year of sale. (Appeal of 650 West End Avenue Company, 2 B.T.A., 958)

Regulation 74, Article 355 - Gain or Loss upon disposition of instalment obligations. -- If an instalment obligation is satisfied at other than its face value or is sold or exchanged, gain or loss results to the extent of the difference between (1) the excess of the

face value of the obligation over the amount of income which would be returnable were the obligation satisfied in full and (2) the amount realized upon such disposition.

If an instalment obligation is distrubed, transmitted, or disposed of otherwise than by sale or exchange, gain or loss results to the extent of the difference between (1) the excess of the face value of the obligation over the amount of income which would be returnable were the obligation satisfied in full, and (2) the fair market value of the obligation at the time of such distribution, transmission, or disposition.

The entire amount of gain or loss resulting from the disposition or satisfaction of instalment obligations shall be recognized except as provided in Section 112 and Articles 572-580.

Example (a): - In 1928 the M Corporation sold a piece of real estate to B for \$20,000. The Company acquired the property subsequent to February 28, 1913, at a cost of \$10,000. During 1928 the company received \$5,000 cash and the vendee's notes for the remainder of the selling price, or \$15,000, payable in subsequent years. Before the vendee made any further payments the company sold the notes for \$13,000 in cash. The company derived taxable income in the amount

Repossession of property. -- Article 354, Regulation of \$5,500 from the sale of the notes, computed as follows:

Proceeds of sale of notes	\$13,000
Selling price of property	\$20,000
Cost of property	10,000
Total profit to be realized	<u>10,000</u>
when property is paid for	\$10,000

Total contract price 20,000
 Per cent of profit or proportion of each payment returnable as income, \$10000 divided by \$20,000, 50%.

Face of notes	\$15,000
Amount of income returnable where the notes satisfied in full, 50% of \$15,000	<u>7,500</u>

Excess of face value of note over amount of income returnable were the notes satisfied in full	<u>7,500</u>
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Taxable income derived from sale of notes	\$ 5,500
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Example (b): - Suppose in the example given above the M Corporation, instead of selling the notes, distributed them to its stockholders as a dividend, and at the time of such distribution the fair market value of the notes was \$14,000. The company would derive taxable income in the amount of \$6,500 from such disposition of the notes, computed as follows:

Fair market value of notes	\$ 14,000
Excess of face value of notes over amount of income returnable were the notes satisfied in full (computed as in example "a")	<u>7,500</u>

Taxable income derived from disposition of notes	\$ 6,500
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Repossession of property. -- Article 354, Regulation 74, provides for the reporting of a gain or loss in the case where the vendor has retained title and on default of the purchaser repossesses the property. The application of this provision may be illustrated by the following example:

First year -- property sold

Selling price:

Cash	\$ 6,000	
Mortgage (face value and also fair market value)	<u>4,000</u>	
		\$ 10,000
Cost		<u>7,000</u>
Gain reported		\$ 3,000

Second year -- property repossessed

Gain reported, first year	\$ 3,000	
Depreciation while in vendee's possession (1 year at 4% of \$7,000)	<u>280</u>	
		\$ 3,280
Payments actually received in 1st year	<u>6,000</u>	
Deductible loss, second year		\$ 2,720

Third year - property resold

Selling price	\$ 11,000	
Cost (original cost of \$7,000 less depreciation adjustment in second year, \$280)	<u>6,720</u>	
Gain		\$ 4,280

Article 354 also provides for the reporting of gain or loss where title has previously passed to the purchaser and the vendor reacquires the property upon default of the purchaser. The principle involved is that the original sale in which title passes to the purchaser is one transaction and that the subsequent repossession by the seller is an entirely separate transaction and that gain or loss is to be computed on each. These provisions may be illustrated by the following actual case:

The taxpayer sold a farm in 1920 for a total consideration of 44 x dollars (face value). He received x dollars in earnest money in 1919, 8 x dollars in cash upon the delivery of the deed in January 1920, and notes for 35 x dollars payable in twenty years, carrying 5% annual interest. The notes were secured by a purchase money mortgage. The March 1, 1913, value of the farm was 28 x dollars, which amount was in excess of what the taxpayer paid for the farm prior to that date. The taxpayer treated the transaction as a deferred payment sale not on the installment plan, and his income tax liability for 1920 was finally settled upon the basis that he derived no gain or sustained no loss from the sale of his farm in 1920 because the notes received from the purchaser and secured by mortgage on the farm had no fair market value.

Article 334 also provides for the reporting of gain or loss where title has previously passed to the purchaser and the vendor reacquires the property upon default of the purchaser. The principle involved is that the original sale in which title passes to the purchaser is one transaction and that the subsequent repossession by the seller is an entirely separate transaction and that gain or loss is to be computed on each. These provisions may be illustrated by the following actual case:

The taxpayer sold a farm in 1930 for a total consideration of \$44 x dollars (face value). He received x dollars in earnest money in 1919, 8 x dollars in cash upon the delivery of the deed in January 1930, and notes for 35 x dollars payable in twenty years, carrying 5% annual interest. The notes were secured by a purchase money mortgage. The March 1, 1913, value of the farm was 38 x dollars, which amount was in excess of what the taxpayer paid for the farm prior to that date. The taxpayer treated the transaction as a deferred payment sale not on the installment plan, and his income tax liability for 1930 was finally settled upon the basis that he derived no gain or sustained no loss from the sale of his farm in 1930 because the notes received from the purchaser and secured by mortgage on the farm had no fair market value.

Eventually, the purchaser of the farm defaulted in paying the interest and the taxpayer repossessed the property in 1922, by a transaction which resulted in the surrender by the taxpayer of the outstanding notes secured by mortgage, in consideration for the property. The question is: What was the effect upon the taxpayer's income tax liability for 1922 on the repossession by him in that year of the farm which he sold in 1920? The following computation shows that the taxable gain to be reported in 1922 is 16 x dollars:

Sale in 1920

Selling price:

Cash	9 x
Notes (35x); fair market value	<u>0 x</u>

Total	9 x
-------	-----

Basis of property	28 x
Less cash received	<u>9 x</u>

Basis still to be recovered (Now represented by notes)	19 x
---	------

Repossession in 1922

Value of farm in 1922	35 x
Basis of notes	<u>19 x</u>

Gain taxable in 1922	16 x
----------------------	------

New basis for gain or loss on sale of farm	35 x
---	------

The fair market value of the farm at the time of recovery by the vendor, must be presumed, in the

absence of fair and convincing proof to the contrary, to be 35x dollars, the amount which the vendor in effect offered for the property. (G.C.M. 880.)

The result reached in the above case is the same as if the original sale was treated as an exchange of property for other property and money (real estate for cash and notes) and the basis of the property received in exchange (notes) is arrived at by the same rule as is incorporated in Section 113 (a) (6) of the 1928 Act, that is, the basis of the new property (the notes) is the same as in the case of the property exchanged (real estate) decreased in the amount of money received and increased in the amount of gain or decreased in the amount of loss that was recognized upon the exchange in the year in which the exchange was made. To further clarify the principles outlined in the foregoing case, and in Article 354, the illustrations shown below have been prepared. Case 3 is the same as the case just referred to. Cases 1 and 2 deal with the same figures but make different assumptions as to the value of the notes at the time of the original sale.

1920	
Selling price	
Cash	9 x
Notes	35 x
	<hr/>
	44 x
Basis	28 x
	<hr/>

Gain:

Case 1.	If notes treated as worth face value	16x
Case 2.	If notes treated as worth 30x	11x
Case 3.	If notes treated as having no fair market value	None

1922

	Case 1	Case 2	Case 3
Value of farm received	35x	35x	35x
Basis of notes	35x	30x	19x
Gain	none	5 x	16x
New basis for gain or loss	35x	35 x	35x

It will be noted that in each case the basis of the notes exchanged for the farm in 1922 is arrived at by deducting from the original basis of the farm in 1920 (28x) the amount of cash received in 1920 (9x) and adding thereto the gain reported in 1920. The same method is used to arrive at the new basis for determining gain or loss on a subsequent sale of the farm after its repossession in 1922. Since no cash is involved in the 1922 transaction the new basis of the farm is in each case the original basis of the notes plus the gain reported in 1922.

If, instead of treating the farm reposessed as being worth 35x dollars, the face amount of the notes, it is assumed that it can be proved that the farm is worth only 30x dollars in 1922 the gain on

repossession in 1922 in the three different cases would be computed as follows:

	<u>Case 1</u>	<u>Case 2</u>	<u>Case 3</u>
Value of farm received	30x	30x	30x
Basis of notes	<u>35x</u>	<u>30x</u>	<u>19x</u>
Gain or loss	- 5x	None	11x

Whether the method prescribed in the present regulations and illustrated above, of treating the repossession as an entirely separate transaction upon which gain or loss is to be recognized is warranted is a question which will perhaps be taken to the courts at some time in the future. There seems to be no doubt, that technically, there are two separate transactions, and that Section 113 of the law justifies the above method of computing gain or loss, although the application of the new rule works an apparent hardship in requiring a taxpayer in many instances to report a gain in the year in which he merely takes back property which the purchaser was unable to pay for, but receives no cash.

Explanation of abbreviations used in
the section on income tax computation:

O. D. - Office decision

S. or S.M. - Solicitor's memorandum

B.T.A. - Decision of U. S. Board
of Tax Appeals

I. T. - Income Tax Unit ruling

G.C.M. - General Counsel's memorandum.

Form of contract lease and conditional sale used
by a large department store.

CONTRACT OF LEASE AND CONDITIONAL SALE

Boston, Mass..... Account

KNOW ALL MEN BY THESE PRESENTS, That I,
of, have hired of The A.B.C.
Company, of Boston, Suffolk County, Massachusetts, the
following described articles, viz.:

Illustrative Forms

For the use and as rent of said articles, I have
this day paid to said A.B.C. Company the sum of
..... Dollars, and I do
promise further to pay to the said A.B.C. Company, its
successors and assigns, the sum of
Dollars per with a carrying
charge of, the first pay-
ment to be made on the day of
and the monthly payments to be made on the

Form of contract lease and conditional sale used
by a large department store.

CONTRACT OF LEASE AND CONDITIONAL SALE

Boston, Mass..... Account

KNOW ALL MEN BY THESE PRESENTS, that I,
of, have hired of The A.B.C.
Company, of Boston, Suffolk County, Massachusetts, the
following described articles, viz.:

I agree that until the full performance of the
. foregoing conditions and such further as after con-
.
ditions as may be imposed by any additional agreement
.
or agreements affecting this lease, the legal title
.
of the above-named articles and any and all accessories
.
thereto shall be and remain in said A.B.C. Company,
.
or its successors or assigns, except as hereinafter
.
provided.
.
I agree that if I fail to make payments as here-

For the use and as rent of said articles, I have
this day paid to said A.B.C. Company the sum of
..... dollars, and I do
promise further to pay to the said A.B.C. Company, its
successors and assigns, the sum of
dollars per with a carrying
charge of, the first pay-
ment to be made on the day of
and the monthly payments to be made on the

day of each month until such time as the sums so paid and to be paid by me shall amount to dollars and carrying charge as aforesaid; from which time said rent and all claim of the said A.B.C. Company, its successors and assigns, to said articles shall cease, unless prior to performance by me of all conditions of this contract I shall have made an additional agreement with said A.B.C. Company affecting this lease.

I agree that until the full performance of the foregoing conditions and such further or other conditions as may be imposed by any additional agreement or agreements affecting this lease, the legal title of the above-named articles and any and all additions thereto shall be and remain in said A.B.C. Company, or its successors or assigns, except as hereinafter provided.

I agree that if I fail to make payments as herein promised or to perform any of the conditions of this contract, or any additional, the said A.B.C. Company, its successors and assigns, shall have the right, without being deemed guilty of any trespass or tort, to enter any house or place where said articles may be, and take possession thereof and remove same therefrom, and upon so taking possession terminate assessed value of goods returned, and sold by the A.B.C. Company.

all my right, title, and interest in said articles, together with all liability on the part of the said A.B.C. Company, its successors and assigns, for all money received by them for the use and rent of said articles, subject to the provisions of law relative to redemption and foreclosure.

I agree that, if any balance remains due from me to the said A.B.C. Company after the time above provided for the final payment, I will pay interest monthly at the rate of one-half of one percent on the outstanding balance until its payment in full.

I promise to give the said A.B.C. Company, immediate notice of any attachment or adverse claim by any person or persons against said articles. And I further promise and agree that so long as said rent shall be payable as aforesaid, I will not injure, sell, mortgage, or re-let the said articles, or remove them from without the written consent of said A.B.C. Company and that, in case of failure to pay the said rent, I will, on demand, return the said articles to said A.B.C. Company, its successors and assigns, and the amount of the excess, if any, of the depreciation thereon, over and above the amount of rent already paid, amount of depreciation to be computed from an assessed value of goods returned, and made by the A.B.C. Company.

I agree that, if I fail to make payments as herein promised or to perform any of the conditions of this contract or any additional agreement, the said A.B.C. Company, its successors and assigns, shall have the right at its option, on written notice to me, after any such default to demand immediate payment of the entire balance whether then or thereafter payable under this contract or any additional agreement; and payment of said entire balance on such demand shall vest in me legal title to said articles.

I further agree that if any or all of the articles specified herein shall be destroyed, damaged, -lost or stolen while there remains any unpaid balance of the sum herein, provided for payment as rent for the same together with carrying charges thereon, I will on demand pay such balance to the said A.B.C. Company, its successors and assigns.

It is agreed that the said A.B.C. Company may cancel this contract at any time before actual delivery of the above articles, but in case of such cancellation the deposit paid shall be refunded.

I have carefully read this contract before signing it, and have received a copy of the same.

Executed and delivered
in the presence of

Signed by _____

For the A.B.C. Company

Form of additional contract of lease, etc.:

ADDITIONAL CONTRACT OF LEASE AND CONDITIONAL SALE

Boston, Mass., 192... Addition to
Account No.

KNOW ALL MEN BY THESE PRESENTS, That I,
of, hereby hire of the A.B.C.
Company, of Boston, Massachusetts, the articles
listed below, which, together with the articles
previously hired by me and listed in agreement of
lease and conditional sale dated192....
and known as Account No. and all additions
thereto, are to be used by me at

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For the use of all the above-listed articles and those previously hired by me and listed in said former agreement of lease and conditional sale and in all the additions thereto, I have this day paid to the A.B.C. Company dollars, and agree to pay to said Company the sum of dollars, on the day of each month beginning with interest/ or a carrying charge of until the sums so paid shall equal the amount above listed plus the entire unpaid balance of any and all previous leases to which this agreement is an addition.

It is understood and agreed that the foregoing provision for monthly payment shall be in substitution for the provisions of the original lease and any additions thereto so far as affects monthly payments accruing after the date hereof, and that in all other

Contract of Lease and Conditional Sale of Electrical

respects the articles listed above shall be held, together with articles listed in said original lease and the additions thereto, upon the same terms and conditions and subject to the same agreements set forth in said original lease, and that title of all said articles shall remain in said A.B.C. Company, its successors and assigns, until all of said monthly payments shall have been made.

THIS IS TO CERTIFY THAT I

of on this day

Executed and delivered in the presence of: following described articles, which shall be con-

sidered personalty and in no way attached to the

Signed by _____

For the A.B.C. Company

Witness my hand and seal this _____ day of _____, 192__

For the use and as rent of the said chattels, I have this day paid to the said A.B.C. Company the sum of dollars, and I promise further to pay the sum of dollars on the day of each consecutive month beginning, 192__ until the sum so paid and to be paid by me shall amount to dollars, in addition to a carrying charge of dollars, from which time said rent and all claim of the said A.B.C. Company to said articles shall cease.

In partial liquidation of the above indebtedness the A.B.C. Company agrees to grant an allowance of

Contract of Lease and Conditional Sale of Electrical
Appliances

THE A.B.C. COMPANY

Boston, - Massachusetts

THIS IS TO CERTIFY THAT I,

of on this day

192 ..., have hired and received of the A.B.C. Company
the following described articles, which shall be con-
sidered personalty and in no way attached to the
realty:

<u>Description of Appliance</u>	<u>Mfd. by</u>	<u>Appliance No.</u>
---------------------------------	----------------	----------------------

For the use and as rent of the said chattels, I
have this day paid to the said A.B.C. Company the sum
of dollars, and I promise further to
pay the sum of dollars on the
day of each consecutive month beginning, 192..
until the sums so paid and to be paid by me shall
amount to dollars, in addition to a
carrying charge of dollars, from which
time said rent and all claim of the said A.B.C. Company
to said articles shall cease.

In partial liquidation of the above indebtedness
the A.B.C. Company agrees to grant an allowance of

Contract of Lease and Conditional Sale of Electrical

Appliances

THE A.B.C. COMPANY

Boston, - Massachusetts

THIS IS TO CERTIFY THAT I,

of on this day

192... have hired and received of the A.B.C. Company

the following described articles, which shall be con-

sidered personally and in no way attached to the

reside:

<u>Description of Appliance</u>	<u>Mtd. by</u>	<u>Appliance No.</u>
---------------------------------	----------------	----------------------

.....
.....
.....
.....

For the use and as rent of the said chattels, I

have this day paid to the said A.B.C. Company the sum

of dollars, and I promise further to

pay the sum of dollars on the

day of each consecutive month beginning 192..

until the sums so paid and to be paid by me shall

amount to dollars, in addition to a

carrying charge of dollars, from which

time said rent and all claim of the said A.B.C. Company

to said articles shall cease.

In partial liquidation of the above indebtedness

the A.B.C. Company agrees to grant an allowance of ...

dollars on a certain piece of apparatus known as
 to which I warrant that I possess full title and
 ownership which I now entirely grant to said A.B.C.
 Company. I agree that the above allowance is a fair
 and equitable appraisal of the value of said apparatus.

I agree that if I fail to make payments as herein
 promised or to perform any of the conditions of this
 contract the entire balance will then become due and
 payable and I agree to make such payment or return said
 appliance on demand and without legal process.

I further agree that so long as said rent shall
 be payable as aforesaid, I will not injure, sell, mort-
 gage, or relet the articles covered by this contract,
 or remove them from without
 written permission of said A.B.C. Company. I agree to
 be responsible for any loss caused by theft or casualty
 of any description. I agree that until the full per-
 formance of the foregoing conditions the legal title
 of the above named articles shall be and remain in said
 A.B.C. Company.

I certify that the agent or representative of the
 A.B.C. Company has made no written or verbal contract
 with me other than as herein stated and that no ex-
 pressed or implied agreement shall limit or qualify the
 terms of this agreement. I understand and approve of

the terms of this contract and have received a copy of the same.

Salesman

Signed by

Address

-o-

The reverse side of this agreement is shown as follows:

FOR OUR INFORMATION ONLY.

Name in full ..

Husband's Name

Occupation ...

Employed by ..

Employer's Address ...

Department ..

References:

Name ..

Address ..

Name ..

Address ..

Remarks ...

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Date Credit By

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Total merchandise \$

Shipping Charges

Total \$

Form of conditional sale agreement used by a large department store in Boston, Massachusetts. This form is made in duplicate, one copy going to the customer and one copy being retained by seller.

CONDITIONAL SALE

AGREEMENT made between the A.B.C. Company, a corporation duly established by law and having its place of business in Boston, County of Suffolk, and Commonwealth of Massachusetts, hereinafter called The Company, and

..... of hereinafter called The Buyer.

In consideration of the payments hereinafter specified and of the mutual promises and covenants herein contained, The Company agrees to deliver at the following goods:

..... the title of The Company in said property.

THIRD: The Buyer agrees to pay interest at the rate of 6% per annum on any and all payments not when due.

FOURTH: The Company agrees to give the Buyer a Bill of Sale when said merchandise shall

Total merchandise	\$
Carrying Charge	<u>.....</u>
Total	\$

The Buyer has this day made a payment of dollars (in which is included the carrying charges) and agrees to pay at this store without further notice or demand dollars on the of every hereafter until said Company shall have received the full sum of dollars.

The Buyer for himself, his heirs, executors, and administrators agrees as follows:

FIRST: To keep said property in good condition and to indemnify and save harmless The Company for any damage to or destruction of said property.

SECOND: That said property will not be moved from the premises aforesaid without the consent of the Company first being received in writing and will not attempt to sell, mortgage, pledge, let, lease, or raise money upon said property, or in any way to prejudice or jeopardize the title of The Company in said property.

THIRD: The Buyer agrees to pay interest at the rate of 6% per annum on any and all payments not made when due.

FOURTH: The Company agrees to give the Buyer a Bill of Sale when said agreed purchase money shall have been fully paid, until which time no title or property in said machine shall pass to the Buyer.

FIFTH: The Buyer understands that the title to said property shall remain in The Company until all the above payments are paid in full and upon failure by the Buyer to make any of said payments or to perform any of the agreements contained herein then the whole shall become due and payable and The Company by its officers or agents shall have the absolute right without further notice or demand to enter upon any premises where the above described property may be located, and retake possession of the same, and in the event of such re-taking, The Company shall not in any way be responsible for damages of any kind. Upon such re-taking or possession, all rights of the Buyer hereunder shall cease and all sums paid by the Buyer shall revert to The Company, which shall have the absolute right to retain the same as liquidated damages. And the Buyer will hold harmless said Company from any claim of any nature that may arise from the retaking of said property.

The Company may rescind this agreement to deliver said property and to cancel this conditional sale at any time before the property is delivered and actually in the custody of the Buyer, without in any way being responsible for such cancellation.

Questions to be answered by the Buyer for the
files of the A.B.C. Company:
I have always been faithful in paying my obligations and am making this statement for the purpose of inducing you to grant me this privilege and I give you my pledge that you may feel safe in trusting me to do as agreed.

The entire agreement between The Company and the Buyer is herein stated, and no representative of The Company may change or modify its terms, in any way whatsoever.

Dated at Boston, this day of,
19.. .

Real estate located at
Buyer's Name The A.B.C. Company
Address By
.....
Salesman

I hereby acknowledge receipt of a duly executed copy of the above contract this day of, 192... from said A.B.C. Company.

Signature

Type of promissory note used by the Blank Company

Questions to be answered by the Buyer for the
files of the A.B.C. Company:

How long at above address?

If married, husband's occupation or business?

Member of firm?

If employed, by whom?

In what capacity? How long?

Business address?

Name and address of nearest relative .

Real estate located at

Business references:

Banks: Commercial

Savings

It is agreed that default in the payment of any of the
above payments at the option of the holder hereof,
shall render the unpaid balance of this note immediately
due and payable.

- This note represents monthly pay-
- ments only - not price of realtor -

Register No. Finish Business

Notice to Agent: Print
name of customer here

SIGN HERE

No. Ave & St.
City
Memo: Make of above note
requests collections be
made through

By
(When signing for firm or
corporation, print name
and title opposite word
"By".

Type of promissory note used by the Blank Company:

City County State

Date _____

For value received, promise to pay to the order of

THE BLANK COMPANY, Philadelphia, Penna.,

.....Dollars (\$.....)

In payments, payable as below:

<u>Date Paid</u>	<u>Collection No.</u>			
		1	month after date	\$
		2	months	" "
		3	"	" "
		4	"	" "
		5	"	" "
		6	"	" "
		7	"	" "
		8	"	" "

It is agreed that default in the payment of any of the above payments, at the option of the holder hereof, shall render the unpaid balance of this note immediately due and payable.

- This note represents monthly pay-
- ments only - not price of register -

Register No. Style & Finish Business

Notice to Agents: Print
name of customer here

SIGN HERE

No. Ave & St.
City
Memo: Make of above note
requests collections be
made through

By _____
(When signing for firm or corporation, place name and title opposite word "By".

For general use, except in
Ark., Conn., and Ill.

Form used by the Blank Company to record the
payment of instalments in the sale of cash registers:

Account
City..... State County
Street Address Tracer
Order date Shipped Delivered
Order No.

				Amt.of Note	Date
<u>Date</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>	<u>Description</u>	
					: :Due <u>Amt.</u> :Date
1					:Jan
2					:Feb
3					:Mar
4					:Apr
5					:May
6					:Jun
7					:July
8					:Aug
9					:Sept
10					:Oct
11					:Nov
12					:Dec
13					:Jan
14					:Feb
15					:Mar
16					:Apr
17					:May
18					:Jun
19					:July
20					:Aug
21					:Sept
22					:Oct
23					:Nov
24					:Dec
25					:Jan
26					:Feb
					:Mar
					:Apr
					:May
					:Jun
					: :

(Front side)

(Reverse side of preceding form)

	Canceled	Dr.	or Cr.	Amt.	Amt.
Agents Commission Record	date	date	Dr.	Cr.	

COMMISSION ON RENTAL

(Where machines are rented until sale is made)

Factory No.	Price
1	100
2	150
3	200
4	250
5	300
6	350
7	400
8	450
9	500
10	550
11	600
12	650
13	700
14	750
15	800
16	850
17	900
18	950
19	1000
20	1050
21	1100
22	1150
23	1200
24	1250
25	1300
26	1350
27	1400
28	1450
29	1500
30	1550
31	1600
32	1650
33	1700
34	1750
35	1800
36	1850
37	1900
38	1950
39	2000
40	2050
41	2100
42	2150
43	2200
44	2250
45	2300
46	2350
47	2400
48	2450
49	2500
50	2550
51	2600
52	2650
53	2700
54	2750
55	2800
56	2850
57	2900
58	2950
59	3000
60	3050
61	3100
62	3150
63	3200
64	3250
65	3300
66	3350
67	3400
68	3450
69	3500
70	3550
71	3600
72	3650
73	3700
74	3750
75	3800
76	3850
77	3900
78	3950
79	4000
80	4050
81	4100
82	4150
83	4200
84	4250
85	4300
86	4350
87	4400
88	4450
89	4500
90	4550
91	4600
92	4650
93	4700
94	4750
95	4800
96	4850
97	4900
98	4950
99	5000
100	5050
101	5100
102	5150
103	5200
104	5250
105	5300
106	5350
107	5400
108	5450
109	5500
110	5550
111	5600
112	5650
113	5700
114	5750
115	5800
116	5850
117	5900
118	5950
119	6000
120	6050
121	6100
122	6150
123	6200
124	6250
125	6300
126	6350
127	6400
128	6450
129	6500
130	6550
131	6600
132	6650
133	6700
134	6750
135	6800
136	6850
137	6900
138	6950
139	7000
140	7050
141	7100
142	7150
143	7200
144	7250
145	7300
146	7350
147	7400
148	7450
149	7500
150	7550
151	7600
152	7650
153	7700
154	7750
155	7800
156	7850
157	7900
158	7950
159	8000
160	8050
161	8100

Ratings	Terms	Allowance	Selling Price ..
Business			
Change in terms order date?	Disposition		
Account assumed by	Order date		
Sales Audit			

Note to	Coll.	Final Pay
Agent	Dept.	Letter

Lien

Check up Letters

Letter No.
Date
Amount
Tickler

The reverse side of this form contains the
Combination application, agreement, and ledger
card used by a large retailer of men's clothing in
keeping the accounts of its instalment customers:

Address	How Long	Phone
<hr/>		
FOR VALUE RECEIVED, I	Date Paid	Amount
promise to pay to The X		Paid
Company or order at their		Bal-
office in Boston, Mass.,		ance
the sum of \$..... cash,		
and \$..... to be paid		
on the day of		
and \$ to be paid		
on each of each suc-		
ceeding week until the full		
amount of this note is paid.		
Failure to pay any install-		
ment when due shall at the		
option of the holder of this		
note mature the entire bal-		
ance then outstanding to-		
gether with any costs in-		
curring in collection and a		
reasonable attorney's fee to		
be 25% of the amount due		
when sued upon, with a mini-		
imum fee of \$5.00. This note		
is given in payment for the		
personal property described		
herein.		
I have read and fully		
understand the above, and		
agree to comply with the		
terms and conditions therein		
expressed.		
Witness my hand and seal		
this, the day of....		
..... 192....		
Signed		
Witness		
<hr/>		
Remarks:..		

The reverse side of this form contains the following questions to be answered:

Name _____

Address

How Long

Phone

Former Address

How Long

Phone

Employed where

Address

Phone

How Long Employed

Position

Former Employer

How long employed

Position

Married

Age

Do you own property

Kind of property

References

1

Other credit accounts

•

Bank Account

Where

Average income

- 0 -

The reverse side of this form contains the

following questions to be answered:

Name	
Address	How Long
Phone	
Former Address	How Long
Phone	
Employed where	Address
Phone	
How Long Employed	Position
Former Employer	How long employed
Position	Married
	Age
Do you own property	Kind of property
References	
Other credit accounts	
Bank Account	Where
Average income	

Page from customer's receipt book used by a
retailer of men's clothing selling in part on the
deferred payment or installment plans:

Name

Address

<u>PAYMENTS DUE</u>			:	<u>PAYMENTS MADE</u>		
<u>Amount</u>	<u>Date</u>	<u>Date</u>	:	<u>Date</u>	<u>Amount</u>	<u>Rec'd</u>
<u>Due</u>	<u>Due</u>	<u>Due</u>	:	<u>Paid</u>	<u>Paid</u>	<u>by</u>
Initial			:			
Payment			:			
Payment #1			:			
#2			:			
#3			:			
#4			:			
#5			:			
#6			:			
#7			:			
#8			:			
#9			:			
#10			:			

Payment Received in full by

THE X COMPANY, BOSTON, MASS.

Notations on the reverse side read:

Payments must be made on the day they are due without
variation.

Always bring this book when making payment

General form which is permissible in the following states:

Alabama	Nevada
Alaska	New Jersey
Arizona	New York
Arkansas	North Dakota
Delaware	Oklahoma
Florida	Rhode Island
Illinois	South Dakota
Indiana	Texas
Kansas	Utah
Massachusetts	West Virginia
Minnesota	Wisconsin
Montana	
Nebraska	

City County State

THE BLANK COMPANY, Philadelphia, Penna:

Date

Please manufacture and ship freight prepaid to
 St., City
 County State, or to the nearest
 railroad station, (Residence address)
 of your No. registers,
 finish, denomination of keys
 for use in business, for which
 the undersigned agrees to pay you
 dollars (\$.....) as follows:

\$ cash;
 \$ cash on arrival of register, and the
 following amount to be evidenced by note:
 \$ in monthly payments of \$.....
 and of \$

Five per cent discount allowed for cash settlement
 on arrival of register, but no discount allowed on
 credit for exchange registers or on autographic
 registers. The purchase price, less any payment
 thereon, shall, at your option, immediately become

parties and shall not be countersigned.

due and payable, upon refusal of undersigned to accept the register when tendered, or to make any cash payment, or to execute and deliver the note or to make any payment provided for therein; you or any person authorized by you, if you so elect, may immediately repossess the register, and retain as rental for use of said register while in the possession of the undersigned, all payments theretofore made. Should the register be lost or stolen, destroyed, injured or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury or damage. Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory or nearest agency able to make the repairs, or traveling expenses of repairman. Under signed to pay for any repairs made without your authorization, and to pay all taxes on the register and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the

parties and shall not be countermanded.

City County Pa.

(Sign here)

By

THE BLANK COMPANY, Philadelphia, Pa.

Post Office

Please manufacture and ship freight prepaid to

..... St., City, County

Pa., or to the nearest railroad station. (Residence

address) of your No. registers

..... finish, examination of boys

valued at \$ for use in

business, which the undersigned hereby agrees to lease

from you for a term of months from arrival there-

of and to pay you as rental therefor the sum of \$.....

in monthly payments of \$ each, and

..... of \$; undersigned to give you

his promissory note for \$ payable in equal

monthly payments as collateral security for payment

of said rental.

Undersigned further agrees to pay you \$

forthwith and \$ upon arrival of said

register as a deposit to partially secure fulfillment

of this agreement on the part of the undersigned.

\$...

...

...

At the expiration of the rental term above speci-

Special form for the use in Pennsylvania:

City CountyPa.

Date192..

THE BLANK COMPANY, Philadelphia, Pa.

Please manufacture and ship freight prepaid to
 St., City,County
 Pa., or to the nearest railroad station, (Residence
 address) of your No.registers
 finish, denomination of keys
 valued at \$ for use in
 business, which the undersigned hereby agrees to lease
 from you for a term of months from arrival there-
 of and to pay you as rental therefor the sum of \$.....
 in monthly payments of \$ each, and
 of \$; undersigned to give you
 his promissory note for \$ payable in similar
 monthly payments as collateral security for payment
 of said rental.

Undersigned further agrees to pay you \$
 forthwith and \$ upon arrival of said
 register as a deposit to partially secure fulfillment
 of this agreement on the part of the undersigned.

\$ installment of rental promptly when due, under-
 signed hereby authorizes and empowers any attorney
 of any Court of Record in this State or elsewhere to

At the expiration of the rental term above speci-

fied undersigned agrees to surrender said cash register to you in as good condition as when delivered, excepting damage caused by reasonable wear, whereupon you are to return the amount paid to you as a deposit, provided all terms of this lease have been complied with; undersigned to have the option, after surrendering said register, to purchase same upon payment of the amount to you to be deposited as partial security.

It is agreed that upon failure of undersigned to make any payment of rental, or upon the issuance of any attachment, execution, distress for rent, or like process against undersigned, or in the event of undersigned becoming insolvent, of the filing of a petition in bankruptcy by or against him, the unpaid balance of rent for the entire term shall at once become due and payable and you may immediately take possession of said register.

In the event undersigned should refuse to accept said register, or fail to pay any part of the cash deposit above provided for, or refuse to execute and deliver said promissory note, or fail to pay any installment of rental promptly when due, undersigned hereby authorizes and empowers any attorney of any Court of Record in this State or elsewhere to appear for and enter judgment with or without declar-

ation against undersigned and assess damages as follows: In the event of refusal to accept register in an amount equal to forty per cent of its value as herein expressed, which amount is hereby considered and agreed upon by both parties hereto as proper liquidated damages for such refusal; or if said register has been accepted and default is made in any payment above provided for or in the execution or delivery of said promissory note, then said damages shall be an amount equal to the whole or any part unpaid, under this agreement; and in any case said judgment shall include in addition to said damages all costs and an attorney fee of fifteen per cent. Said attorney is further authorized to release all errors and waive any right of undersigned to appeal, and the benefit of all appraisement, stay, or exemption laws of this State. The remedies provided herein are cumulative and not in the alternative.

Should said register get out of order from ordinary use within one year from shipment, you will repair it free of charge provided undersigned pays the transportation charges on it to and from your factory or nearest agency capable of making the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your

authorization, and to pay all taxes on the register, and, in event of default to reimburse the company to full extent of taxes so paid by it.

Should the register be lost or stolen, destroyed injured or damaged by fire or otherwise, before the rental has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury or damage.

This contract covers all agreements between all parties and shall not be countermanded.

(Signed)

Accepted 192..

THE BLANK COMPANY

by

by Post
Office

.....

Special form needed for use in Virginia:

City County Virginia
 THE BLANK COMPANY, Philadelphia, Pa. Date192..
 Please manufacture and ship freight prepaid to
 Street, City, County, Va.,
 of your Blank cash registers
 finish; denomination of keys Style No.....
 Factory Serial No., for use in
 business, for which the undersigned agrees to pay you
 dollars (\$.....) as follows:

\$..... cash;

\$..... cash on192..., and the following
 amount to be evidence by note:

\$..... in monthly payments of \$.....
 and of \$, the first of such pay-
 ments to become due and payable on,
 and the others on the day of each succeeding
 month.

\$.....

THE BLANK COMPANY,

.

Five per cent discount allowed for cash settlement
 on arrival of register, but no discount allowed on
 credit for exchange registers, or on autographic regis-
 ters. You are authorized to insert the factory number
 of the register and the dates when monthly payments be-
 come due. The purchase price, less any payment thereon,
 at your option, shall become due and payable, upon re-

fusal of undersigned to accept register when tendered, to make any cash payment, to execute and deliver the note, or make any payment provided for therein; or you, or any authorized person, if you so elect, may repossess register, and retain, for its use while in possession of undersigned, all payments made. The benefit of exemption as to this debt is waived by undersigned. Should register get out of order from ordinary use in one year from shipment you will repair it without charge, provided undersigned pays transportation charges on it to and from the factory, or nearest agency able to make repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

(Sign here).....
Accepted192..
THE BLANK COMPANY,
by by.....

Residence
Address

Form used in Michigan:

City County Michigan.

Date192.. .

THE BLANK COMPANY, Philadelphia, Penna:

Please manufacture and ship freight prepaid to

..... Street,City,

County, Michigan, or to the nearest railroad station,

(Residence Address) of

your No..... registers,finish,

denomination of keys for use in

..... business, for which undersigned

agrees to pay you Dollars

(\$.....) as follows:

\$..... cash;

\$..... cash on arrival of register, and the follow-
ing amount to be evidenced by note:

\$..... in monthly payments of \$

and of \$.....

:

Five per cent discount for cash settlement on
arrival of register, but no discount allowed on
credit for exchange registers or on autographic
registers. Upon refusal of undersigned to accept
the register when tendered, or to make any cash pay-
ment, or to execute and deliver the note or to make

payment provided for therein, either the purchase price, less any payment thereon, at your option, shall immediately become due and payable and you may sue therefor, thereby vesting the absolute title in the undersigned, or you, or any person authorized by you, if you so elect, may immediately repossess the register, and retain as rental for us of said register while in possession of undersigned, all payments theretofore made. Should the register be lost or stolen, destroyed, injured or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury or damage. Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory or nearest agency able to make the repairs or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

Special form needed? (Sign here)

by
 City County New Hampshire.
 (Post office)
 Date

THE BLANK COMPANY, Philadelphia, Penna.

Please manufacture and ship freight prepaid to

Street, City, County,

New Hampshire, or to the nearest railroad station.

(Residence Address) of your

No. registers, Finish, Installation

tion of keys For use in

..... business, for which undersigned

agrees to pay you Dollars (\$.....).

as follows:

\$ cash;

\$ cash on arrival of register, and the following amount to be advanced by note:

\$ in monthly payments of \$

and of \$

The register shall remain your property until the price, or any judgment for same is paid in full; and upon failure of undersigned to make any payment, if you so elect, you may repossess the register and retain as rental all money paid. Undersigned agrees to pay all taxes on the register, and to complete payment if

Special form needed for use in New Hampshire:

City County New Hampshire.

Date192...

THE BLANK COMPANY, Philadelphia, Penna.

Please manufacture and ship freight prepaid to

Street, City,County,

New Hampshire, or to the nearest railroad station,

(Residence Address)..... of your

No. registers, finish, denomina-

tion of keys for use in

..... business, for which undersigned

agrees to pay you Dollars (\$.....),

as follows:

\$ cash;

\$ cash on arrival of register, and the follow-
ing amount to be evidenced by note:

\$ in monthly payments of \$

and of \$

.

.

The register shall remain your property until the price, or any judgment for same is paid in full; and upon failure of undersigned to make any payment, if you so elect, you may repossess the register and retain as rental all money paid. Undersigned agrees to pay all taxes on the register, and to complete payment if

register is lost, stolen, damaged or destroyed.

This contract covers all agreements between the parties and shall not be countermanded.

(Sign here)

by

Post office

- o -

We severally swear that the foregoing memorandum is made for the purpose of witnessing the lien on cash register No., and the sum due thereon as specified in said memorandum, and for no other purpose whatever; and that the said lien and the sum due thereon were not created for the purpose of enabling the purchaser to execute said memorandum; but said lien is a just lien, and the sum stated to be due thereon is honestly due thereon, and owing from the purchaser to the vendor.

.....

.....

THE BLANK COMPANY

by.....

The State of New Hampshire }- ss:
County of

On this day of, 192..., personally appeared before me and swore and subscribed to the above oath.

.....

Justice of the Peace

Special form for use in the State of California:

City County California.

Date 192...

THE BLANK COMPANY, Philadelphia, Pa.

Please manufacture and ship freight prepaid to No. ..

..... Street, City,

..... County, Calif., or to the nearest

railroad station, (Residence address)

..... of your No. registers,

..... finish, denomination of keys,

for use in business, for which

undersigned agrees to pay you dollars

(\$.....), as follows:

\$ cash

\$ cash on arrival of register, and the following amount to be evidenced by note:

\$ in monthly payments of \$and

..... of \$

.

.

..

Five per cent discount allowed for cash settlement on arrival of register, but no discount allowed on credit for exchange register, or on autographic registers. Undersigned agrees to keep the register insured at all times at his own expense; loss, if any, payable to you as your interest may appear.

The purchase price, less any payment thereon, shall, at your option, immediately become due and payable upon refusal of undersigned to accept the register when tendered, or to make any cash payment, or to execute and deliver the note or make any payment provided for therein, or you, or any person authorized by you, if you so elect, may immediately repossess the register. Should it become necessary to enforce any provision of this contract by suit, undersigned agrees to pay all reasonable attorney fees and costs.

Should the register be lost or stolen, destroyed, injured or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury or damage.

Should the register get out of order from ordinary use within one year from shipment, you will, without charge repair it provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

It is agreed that title to said register shall not pass to undersigned until the purchase price therefor, or any judgment for all or part of same, is paid in full, and that until such payment, said register shall, at your option, remain your property.

This contract covers all agreements between the parties and shall not be countermanded.

Street, City, County,

(Sign here)

..... State, or to the nearest railroad

station, (Residence address by

Post Office

of Your No. registers, (Initials)

denomination of keys, for use

in business, for which undersigned

agrees to pay you dollars (\$.....)

as follows:

\$ cash

\$ cash on arrival of register, and the following amount to be evidenced by note:

\$ in monthly payments of \$ and

..... of \$

The register shall remain your property until the price, or any judgment for same be paid in full; and upon failure of undersigned to make any payment, if

The states of Alabama, Maine, Maryland and
Vermont require this form to be used:

City County State

Date 192..

THE BLANK COMPANY, Philadelphia, Pa.

Please manufacture and ship freight prepaid to
Street, City,County,
..... State, or to the nearest railroad
station, (Residence address),
of your No. registers, finish,
denominationsof keys,, for use
in business, for which undersigned
agrees to pay you dollars (\$.....)
as follows:

- \$ cash
- \$ cash on arrival of register, and the follow-
ing amount to be evidence by note:
- \$ in monthly payments of \$ and
..... of \$
- .
- .
- .

The register shall remain your property until the
price, or any judgment for same is paid in full; and
upon failure of undersigned to make any payment, if

you so elect, you may repossess the register and re-
tain as rental all money paid. Undersigned agrees
to pay all taxes on the register, and to complete
payment if register is lost, stolen, damaged, or
destroyed.

This contract covers all agreements between the
parties, and shall not be countermanded.

(Sign here)

by

Post Office

denomination of keys

in

undersigned agrees to pay you

(\$.) as follows:

\$. cash;

\$. cash on arrival of register, and the fol-

lowing amount to be evidenced by notes:

\$. in monthly payments of \$. and

of \$. said note to be secured by a

partial mortgage on the register.

Five per cent discount allowed for cash settle-
ment on arrival of register, but no discount allowed
on credit for exchange registers, or on autographic
registers.

The State of Colorado uses this type of form:

City County Colorado.

Date 192..

THE BLANK COMPANY, Philadelphia, Pa.

Please manufacture and ship freight prepaid to

Street, City, County,
Colo., or to the nearest railroad station, (Residence
address), of your

No. registers, finish,
denomination of keys, for use
in business, for which the
undersigned agrees to pay you dollars,
(\$.....) as follows:

\$ cash;

\$ cash on arrival of register, and the fol-
lowing amount to be evidenced by note:

\$ in monthly payments of \$..... and
..... of \$, said note to be secured by a
chattel mortgage on the register.

.
. .
.

Five per cent discount allowed for cash settle-
ment on arrival of register, but no discount allowed
on credit for exchange registers, or on autographic
registers.

The State of Colorado uses this type of form:

City County Colorado.
Date 193..
THE BLANK COMPANY, Philadelphia, Pa.
Please manufacture and ship freight prepaid to
Street, City, County,
Colo., or to the nearest railroad station, (Residence
address), of your
No. registers, finish,
denomination of keys for use
in business, for which the
underlined agree to pay you dollars.
(.....) as follows:
\$ cash;
\$ cash on arrival of register, and the fol-
lowing amount to be evidenced by note:
\$ in monthly payments of \$ and
..... of \$ said note to be secured by a
chattel mortgage on the register.
.....
.....
Five per cent discount allowed for cash settle-
ment on arrival of register, but no discount allowed
on credit for exchange registers, or on autographic
registers.

The purchase price, less any payment thereon, shall, at your option, immediately become due and payable, upon refusal of undersigned to accept the register when tendered, or to make any cash payment, or to execute and deliver the note or make any payment provided for therein, or to execute, acknowledge, and deliver the mortgage; or you, or any person authorized by you, if you so elect, may immediately repossess the register.

Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property and undersigned shall be considered as holding same merely as your bailee until execution and delivery of mortgage, or until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

(Sign here)
 by
 Post Office

Special type of form used in the State of Missouri:

City County Missouri.

Date, 192...

THE BLANK COMPANY, Philadelphia, Pa.

Please manufacture and ship freight prepaid to
 Street City, County, Mo.,
 or to the nearest railroad station, (Residence Address.
), of your
 No. registers, finish,
 denomination of keys for use
 in business, for which under-
 signed agrees to pay you dollars
 (\$.....) as follows:

\$ cash

\$ cash on arrival of register, and the follow-
 ing amount to be evidenced by note:

\$ in monthly payments of \$and
 of \$, said note to be secured
 by chattel mortgage on the register.

..
 ..
 ..

Five per cent discount allowed for cash settlement
 on arrival of register, but no discount allowed on
 credit for exchange registers, or on autographic re-
 gisters. The purchase price, less any payment thereon
 shall, at your option, immediately become due and

payable, upon refusal of undersigned to accept the register when tendered, or to make any cash payment, or to execute and deliver the note or make any payment provided for therein, or to execute, acknowledge, and deliver the mortgage; or you, or any person authorized by you, if you so elect, may immediately repossess the register. Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it. You, or any person authorized by you, may date the note given herewith as of this date, or any date subsequent thereto.

UPON The register shall remain your property and undersigned shall be considered as holding same merely as your bailee until execution and delivery of the mortgage, or until the price, or any judgment for same, is paid in full.

THIS This contract covers all agreements between the in full force and effect.

Should default be made in the payment of any

parties, and shall not be countermanded.

(Sign here)

by

Post office

* * *

IN CONSIDERATION of the debt hereinafter mentioned and created, and the sum of One Dollar to, in hand paid, the receipt of which is hereby acknowledged, Residence Address Street, in the City of, County of, do hereby sell and convey to The Blank Company, of Philadelphia, Pennsylvania, the cash register below described, located at No Street in the City of, County of, State of Missouri, to wit:

.....Blank Cash Register, Factory No..... Style No.

UPON CONDITION that if pay said Blank Company promissory note dated amounting to \$, maturing in payments, one each month after date, and signed by, or any note given in extension of the same, then this deed shall be void, otherwise it shall remain in full force and effect.

Should default be made in the payment of one

or more of said payments, or if said register is removed from the premises above described, without the written consent of said Company, if it said Company shall feel themselves unsafe and insecure in the premises, then all of said payments remaining unpaid shall at once become due and payable, and said Company, or their agent or attorney, may take and shall be entitled to the possession of said cash register, and for the purpose of acquiring possession may enter into the premises and take said cash register; until which time possession thereof is to remain with the undersigned. Upon taking possession in case of default, or as above provided, said Company, or their agent or attorney, may sell the same either at public or private sale and apply the proceeds of such sale, after deducting from said proceeds all costs and expenses, including all attorney's fees in obtaining possession of and making sale of said register, toward the reduction of the indebtedness due from the undersigned, the remainder, if any, to be paid to or representatives; and in the event of a public sale of said register, the Company herein shall be at liberty to bid upon and purchase the property herein above described. If sold at public sale, notice thereof shall be given for ten days, either by hand-

bills or in some newspaper printed in this county or city.

WITNESS my hand this day of
A.D., 192... , at the City of
County of State of Missouri.

(Sign here)

I, J., do hereby certify that by

Address of your

No. registers,

denomination of keys for use in

..... business, for which under-

signed agrees to pay you dollars,

§ as follows:

§ each

§ each on arrival of register, and the follow-

ing amount to be advanced by notes:

§ in monthly payments of and

..... of \$

.....

.....

.....

Five per cent discount allowed for each bill-

ment on arrival of register, but no discount allowed

on credit for exchange registers, or on telephone

registers. The purchase price, less any payment

thereon, shall, at your option, immediately become

due and payable, upon refusal of undersigned to ac-

Form used in the District of Columbia:

City, District of Columbia.

Date 192...

THE BLANK COMPANY, Philadelphia, Pa.

Please manufacture and ship freight prepaid to No. ..

..... Street, City,

D. C., or to the nearest railroad station, (Residence
Address), of your

No. registers, finish,
denomination of keys, for use in

..... business, for which under-
signed agrees to pay you dollars,

\$....., as follows:

\$ cash

\$ cash on arrival of register, and the follow-
ing amount to be evidenced by note:

\$ in monthly payments of and
..... of \$

.

.

.

Five per cent discount allowed for cash settle-
ment on arrival of register, but no discount allowed
on credit for exchange registers, on on autographic
registers. The purchase price, less any payment
thereon, shall, at your option, immediately become
due and payable, upon refusal of undersigned to ac-

cept the register when tendered, or to make any cash payment, or to execute and deliver the note or make any payment provided for therein; you, or any person authorized by you, if you so elect, may immediately repossess the register and retain as rental for the use of said register while in the possession of the undersigned, all payments theretofore made.

Should the register be lost or stolen, destroyed, injured or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury, or damage.

Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

The contract covers all agreements between the

Parties, and shall not be countermanded.

Accepted 192.. .
THE BLANK COMPANY

By (Sign here)

.....

THE BLANK COMPANY, Philadelphia, Pa. by

Please manufacture and ship to
P. O.

..... Street, City,

County, Connecticut, or to nearest railroad station.
* * * * *

DISTRICT OF COLUMBIA, ss:

I, the undersigned, a Notary Public in and for
the District of Columbia, hereby certify that
....., the vendee, named in the within con-
tract, personally appeared before me in said District,
said party being well-known to me as the person who
executed said contract, and acknowledged the same to
be his act and deed.

WITNESS my hand and official seal hereto affixed
this day of, 192... .

.....
Notary Public

Five per cent discount allowed for cash within
month on arrival of register. Two per cent discount allowed
on credit for exchange registers, as on exchange
registers.

The purchaser shall have the right to return
shall, at your option, immediately receive the

Special form which must be used on Connecticut:

City County Connecticut.

Date 192...

THE BLANK COMPANY, Philadelphia, Pa.

Please manufacture and ship freight prepaid to

..... Street, City.....

County, Connecticut, or to nearest railroad station,

(Residence address) of

your No. finish, denomination of keys ...

for us in business, for which under-

signed agrees to pay you dollars,

\$....., as follows:

\$ cash

\$ cash on arrival of register, and the follow-
ing amount to be evidenced by note:

\$ 111111 in ... monthly payments of \$ and

..... of \$

.....

.

.

.

Five per cent discount allowed for cash settle-
ment on arrival of register, but no discount allowed
on credit for exchange registers, or on autographic
registers.

The purchase price, less any payment thereon,
shall, at your option, immediately become due and

payable, upon refusal of undersigned to accept the register when tendered, or to make any cash payment or to execute and deliver the note or make any payment provided for therein; or you, or any person authorized by you, if you so elect, may immediately repossess the register and retain, as rental for the use of said register while in the possession of the undersigned, all payments theretofore made.

Should the register be lost, or stolen, destroyed, injured or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss destruction, injury or damage.

Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your permission, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between
the parties and shall not be countermanded.

City (Sign here)
THE BLANK COMPANY, Philadelphia, Pa. by
Post Office -

Please manufacture and ship freight prepaid to
Street, County, Iowa.

* * * * *

STATE OF CONNECTICUT }
COUNTY OF..... } - ss:

Personally appeared,
signer and sealer of the within instrument, to me
personally known, and acknowledged the signing
thereof to be his free act and deed.

Witness my hand and seal of office on this
day of, 19

amount to be evidenced by note:
\$ is monthly
Notary Public
..... of \$.....

- - -

CERTIFICATE OF RECORD

Received for Record 19.....,
at o'clockM., and recorded in Vol.
..... Page ofPersonal
Property Records.

any payment thereon, shall, at your
option, immediately be ATTEST: and payable, upon refusal
of undersigned to accept the regi.....
to make any such payment, or to execute Town Clerk

Special form used in the state of Iowa covering
instalment sales:

City County Iowa

THE BLANK COMPANY, Philadelphia, Pa.

Date 192...

Please manufacture and ship freight prepaid to
Street, City, County, Iowa,
or to the nearest railroad station, (Residence Address
.....) of your no.
registers, finish, denomination of keys, ...
....., for use in business,
for which undersigned agrees to pay you
dollars (\$) as follows:

\$ cash;

\$ cash on arrival of register, and the following
amount to be evidenced by note:

\$ in monthly payments of \$..... and
..... of \$.....

..

..

Five per cent discount allowed for cash settlement
on arrival of register, but no discount allowed on credit
for exchange registers, or on autographic registers. The
purchase price, less any payment thereon, shall, at your
option, immediately become due and payable, upon refusal
of undersigned to accept the register when tendered, or
to make any cash payment, or to execute and deliver the

note or make any payment provided for therein; or you, or any person authorized by you, if you so elect, may immediately repossess the register and retain, as rental for the use of said register while in the possession of undersigned, all payments theretofore made.

Should the register be lost or stolen, destroyed injured or damaged by fire, or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury or damage. Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

Accepted 192.. . (Sign here)
THE BLANK COMPANY

by

.....

by

P.O.

STATE OF PENNSYLVANIA)
MONTGOMERY COUNTY) - ss.

On this day of, A.D.
192 ..., before me, a Notary Public in and for said
County and State, personally appeared,
to me personally known, who, being by me duly sworn, did
say that he is the authorized agent of The Blank Company,
-a corporation organized and existing under the laws of
Pennsylvania, and that the seal affixed to the foregoing
instrument is the corporate seal of said corporation,
and that said instrument was signed and sealed in behalf
of said corporation by authority of its board of direc-
tors, and said acknowledged
the execution of said instrument to be the voluntary act
and deed of said corporation by him voluntarily executed.

.....
Notary Public
in and for Montgomery County,
Pennsylvania.

S
E
A
L
Five per cent discount allowed for cash settlement
on arrival of register, but no discount allowed on credit
for exchange registers, or on autographic registers.
Upon refusal of undersigned to accept the register
when tendered, or to make any cash payment, or to execute
and deliver the note, the purchase price, less any payment
when due, you, or any person authorized by you, may take

Special form required under the laws of the state
of Idaho:

City County Idaho
THE BLANK COMPANY, Philadelphia, Pa.

Date 192...

Please manufacture and ship freight prepaid to
Street, City, County,
Idaho, or to the nearest railroad station (Residence Ad-
dress) of your No.
registers, finish, denomination of keys
..... for use in business,
for which undersigned agrees to pay you Dollars
(\$) as follows:

\$ cash;
\$ cash on arrival of register, and the follow-
ing amount to be evidenced by note:
\$ in monthly payments of \$ and
..... of \$

.. This contract covers all agreements between the
.. parties and shall not be countermanded.

Five per cent discount allowed for cash settlement
on arrival of register, but no discount allowed on credit
for exchange registers, or on autographic registers.

Upon refusal of undersigned to accept the register
when tendered, or to make any cash payment, or to execute
and deliver the note, the purchase price, less any payment
when due, you, or any person authorized by you, may take

possession of the register and retain, as rental for the use of said register while in the possession of undersigned, all payments theretofore made.

Should the register be lost or stolen, destroyed, injured or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury or damage.

Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

Accept 192 ... (Sign here)
THE BLANK COMPANY
.....
by by
P.O.

INDIVIDUAL ACKNOWLEDGEMENT

THE STATE OF IDAHO)
COUNTY OF) - ss.

On this ... day of, 192 ..., before me,
....., a Notary Public, personally appeared
....., known to me to be the person whose
name is subscribed to the within instrument, and acknow-
ledged to me that he executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and af-
fixed my official seal the day and year first above writ-
ten.

.....
Notary Public Residence (city)

CORPORATION ACKNOWLEDGEMENT

THE STATE OF IDAHO)
COUNTY OF) -ss.

On this day of, 192...., before me,
....., a Notary Public, personally appeared
....., known to me to be the president (or
secretary) of the corporation that executed the within
instrument, and acknowledged to me that such corporation
executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and af-
fixed my official seal the day and year first above writ-
ten.

live the note or make any payment provided for therein;
you, Kentucky requires the use of this special form

in instalment sales: pass the register and retain, as

rental for the use of said register while in the posses-
CITY County Kentucky.

sign of undersigned, all payments theretofore made.
THE BLANK COMPANY, Philadelphia, Pa.

Should the register get out of order from ordinary

Date 192 ..

use within one year from shipment, yet will, without

Please manufacture and ship freight prepaid to

charge, repair it, provided undersigned pays the trans-
Street, City County, Kty.,

portation charges on it to and from the factory, or
or to the nearest railroad station, of

nearest agency able to make the repairs, or traveling
your No registers, finish,

expense of repairs. Undersigned to pay for any re-
denomination of keys, for use in

..... business, for which undersigned agrees
taxes on the register, and, in event of default, to

to pay you Dollars (\$) as

reimburses the Company to full extent of taxes paid by
follows:

\$ cash;

\$ cash on arrival of register; and the following
price, or any judgment for same, is paid in full.
amount to be evidenced by note:

This contract covers all agreements between the
\$ in monthly payments of \$ and

parties and shall not be countermanded.
\$ of \$

Attest

..

..

(Sign here)

-Witnesses

Five per cent discount allowed for cash settlement
on arrival of register, but no discount allowed on credit
for exchange registers, or on autographic registers.

The purchase price, less any payment thereon, shall, at
your option, immediately become due and payable, upon
refusal of undersigned to accept the register when tend-
ered, or to make any cash payment, or to execute and de-

liver the note or make any payment provided for therein; you, or any person authorized by you, if you so elect, may immediately repossess the register and retain, as rental for the use of said register while in the possession of undersigned, all payments theretofore made.

Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

Attest

.....) (Sign here)
)-Witnesses

 by
 P.O.

The state of Louisiana requires a form similar
STATE OF KENTUCKY)
COUNTY OF) - ss:

The within instrument was produced before me,
..... and proved to be the act and deed
(official title)
of, by the oath of
(purchaser)
one of the subscribing witnesses thereto, who also proved
the attestation of, the other subscrib-
ing witness thereto.

Witness my hand and seal of office this day
of, 192... .

.....
.....
(Official title)

CERTIFICATE OF RECORD

STATE OF KENTUCKY)
COUNTY OF) - ss:

I,, Clerk of the County for the
county aforesaid, do hereby certify that the within in-
strument of writing was this day presented to me in my
office, certified as above and left for record at
o'clockM., whereupon the same and the foregoing
and this certificate have been duly recorded in my office.

Witness my hand this day of 192 .
.....
.....
.....

The state of Louisiana requires a form similar to that found below for all instalment sales:

City County La.

THE BLANK COMPANY, Philadelphia, Pa.

Date 192 .

Please manufacture and ship charges prepaid to

streetCity County, La.,

or to the nearest railroad station, (Residence Address

.....) of your No.

registers, finish, denomination of keys ...

....., for use in business,

for which the undersigned agrees to pay you

dollars (\$) for register delivered in Louisiana,

as follows:

\$ cash

\$ cash on arrival of register, and the following amount to be evidenced by note:

\$ 11.1111 in monthly payments of \$ and

..... of \$ Company to full extent of taxes

paid by it.

.. The register shall remain your property until the

Five percent discount allowed for cash settlement on arrival of register, but no discount allowed on credit for exchange registers, or on autographic register. The purchase price, less any payment thereon, shall, at your option, immediately become due and payable, upon refusal of undersigned to accept the register when tendered, or

The state of Louisiana requires a form similar
to that found below for all installment sales:

City County
THE BLANK COMPANY, Philadelphia, Pa.
Date 192 .
Please manufacture and ship charges prepaid to
street City County, La.,
or to the nearest railroad station, (Residence Address
..... of your No.)
registers, finish, denomination of keys ...
..... for use in business,
for which the undersigned agrees to pay you
dollars (\$) for register delivered in Louisiana,
as follows:
\$ cash
\$ cash on arrival of register, and the following
amount to be evidenced by note:
\$ in monthly payments of \$ and
..... of \$
.....
.....
Five percent discount allowed for cash settlement
on arrival of register, but no discount allowed on credit
for exchange registers, or on autographic register. The
purchase price, less any payment thereon, shall, at your
option, immediately become due and payable, upon refusal
of undersigned to accept the register when tendered, or

The State of New Mexico requires a form similar to this as follows:

to make any cash payment, or to execute and deliver the note or make any payment provided for therein, or you, or any person authorized by you, if you so elect, may immediately repossess the register and retain, as rental for the use of said register while in the possession of undersigned, all payments theretofore made.

Should the register be lost or stolen, destroyed, injured, or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury, or damage. Should the register get out of order from ordinary use within one year from shipment, you will, without charge repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

(Sign here)

The purchase price, less any payment thereon, shall, at your option, immediately become due and payable, upon refusal of undersigned to accept the register when tendered by

P.O.

ured. The State of New Mexico requires a form similar to this as below:

City County New Mexico.

THE BLANK COMPANY, Philadelphia, Pa. later while in

the possession of undersigned, Date 192..

Please manufacture and ship freight prepaid to

St., City County, New

Mexico, or to the nearest railroad station,

of your No registers, finish,

denomination of keys for use in

..... business, for which undersigned agrees

to pay you Dollars, (\$.....) as

follows: undersigned pays the transportation charges on

\$ Cash on the factory, or nearest agency able to

\$ cash on arrival of register, and the follow-

ing amount to be evidenced by note: sold without your

\$ in monthly payments of \$..... and ...

of \$... event of default, to reimburse the Company to

full extent of taxes paid by it.

. The register shall remain your property until the

price Five per cent discount allowed for cash settle-

ment upon arrival of register, but no discount allowed

on credit for exchange registers, or on autographic

registers. 192.. (Sign here)

The purchase price, less any payment thereon, shall, at your option, immediately become due and payable, upon refusal of undersigned to accept the register when tend-

ered, or to make any cash payment, or to execute and deliver the note or make any payment provided for therein; you or any person authorized by you, if you so elect, may immediately repossess the register, and retain, as rental for use of said register while in the possession of undersigned, all payments theretofore made. Should the register be lost or stolen, destroyed, injured, or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury, or damage. Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory, or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the parties and shall not be countermanded.

Accepted 192.. (Sign here)
 THE BLANK COMPANY

By By
 P.O.

Form used in the State of Mississippi:

STATE OF NEW MEXICO }--ss:
COUNTY of

On this day of, 192..., before
me, personally appeared, to me
known to be the person described in, and who executed
the foregoing instrument, and acknowledged to me that
he executed the same as his free act and deed.

.....
Notary Public

My commission expires

.....

(\$.....) as follows: - o -

\$ Cash;

THE STATE OF PENNSYLVANIA) Register, and the following
MONTGOMERY COUNTY }-- ss:

On this day of, 192..., before
me, appeared, to me personally known,
who, being by me duly sworn, did say that he is the
authorized agent of The Blank Company, and corporation
organized and existing under the laws of Pennsylvania,
and that the seal affixed to the foregoing instrument is
the corporate seal of said corporation, and that said
instrument was signed and sealed in behalf of said cor-
poration by authority of its boards of directors, and
said acknowledged said instrument to be the
free act and deed of said corporation.

.....
Notary Public

My commission expires

Form used in the State of Mississippi:

City County Mississippi.

THE BLANK COMPANY, Philadelphia, Pa.

Date 192...

Please manufacture and ship freight prepaid to

Street, City, County,

Miss., or to the nearest railroad station (Residence

Address) of your No.

registers, finish, denomination of keys

for us in business, for which under-

signed agrees to pay you Dollars

(\$.....) as follows:

\$ Cash;

\$ cash on arrival of register, and the following
amount to be evidenced by note:

\$ in monthly payments of \$ and
of \$...

.. as a witness thereto in the presence of the said

..

The register shall remain your property until the
price, or any judgment for same is paid in full; and
upon failure of undersigned to make any payment, if you
so elect, you may repossess the register and retain as
rental all money paid. Undersigned agrees to pay all
taxes on the register, and to complete payment if regis-
ter is lost, stolen, damaged or destroyed.

This contract covers all agreements between the parties, and shall not be countermanded.

.....) (Sign here).....
.....) by
Witnesses P. O.....
Clerk, Chancery Court

* *

State of Miss., County of

Personally appeared before me,, a Notary Public in and for the above named County and State,, one of the subscribing witnesses to the foregoing instrument who being first duly sworn, deposes and says: that he saw the within named, whose name is subscribed thereto, sign and deliver the same to The Blank Company, and that he, this affiant, subscribed his name as a witness thereto in the presence of the said

Sworn to and subscribed before me this the day ofA. D., 192... .

.....
Notary Public

State of Mississippi,)
County of)-ss:

I certify that this instrument was filed for record in my office at o'clock, ... M., on the day

of 192.... , was recorded in Book
Page

Witness my hand and official seal this day
of 192.... .

.....
Clerk, Chancery Court

Please manufacture and ship freight prepaid to
Street, City, County, N. C.
or to the nearest railroad station (Residence Address
.....) of your No.
registers, finish, denomination of keys, ...
for use in business, for which
undersigned agrees to pay you dollars
(\$.....) as follows:

\$ cash;
\$ cash on arrival of register, and the following
amount to be evidenced by note:
\$ in monthly payments of \$..... and
..... of \$

The register shall remain your property until the
price, or any judgment for same is paid in full; and
upon failure of undersigned to make any payment, if you
so elect, you may repossess the register and retain as
rental all money paid.

Form used in the State of North Carolina;

City County N.C.

THE BLANK COMPANY, Philadelphia, Pa.

Date 192..

Please manufacture and ship freight prepaid to

Street, City, County, N. C.

or to the nearest railroad station (Residence Address

.....) of your No.

registers, finish, denomination of keys,...

for use in business, for which

undersigned agrees to pay you dollars

(\$.....) as follows:

\$ cash;

\$ cash on arrival of register, and the following

amount to be evidenced by note:

\$ in monthly payments of \$..... and

..... of \$

.

Filed for registration in the office of the Register of

Deeds for County, N. C., at ... o'clock,

The register shall remain your property until the price, or any judgment for same is paid in full; and upon failure of undersigned to make any payment, if you so elect, you may repossess the register and retain as rental all money paid.

Undersigned agrees to pay all taxes on the register, and to complete payment if register is lost, stolen, damaged destroyed.

This contract covers all agreements between the parties and shall not be countermanded.

..... (Sign here)
.....
Witness by
P. O.

..... of your No. * *

STATE OF NORTH CAROLINA) -- ss:
COUNTY OF

The foregoing certificate of, as attested by his official seal, is adjudged to be in due form and according to law; therefore let this instrument with its certificates, be registered.

Witness my hand this day of, 192..
.....
Clerk Superior Court

CERTIFICATE OF RECORD

Filed for registration in the office of the Register of Deeds for County, N. C., at ... o'clock,M., 192....., and recorded in Book, Page

The purchase price, less
Register of Deeds
at your option, immediately become due and payable upon refusal of undersigned to accept the register when the-

Special form used in Ohio for instalment sales:

City County Ohio.

THE BLANK COMPANY, Philadelphia, Pa.

Date 192...

Please manufacture and ship freight prepaid to
St., City, County, Ohio, or to
the nearest railroad station, (Residence Address.....)
..... of your No. registers, finish,
denomination of keys, for use in
..... business, for which undersigned agree
to pay you (\$) as follows:

\$ cash

\$ cash on arrival of register, and the following
amount to be evidenced by note:

\$ in monthly payments of \$..... and
..... of \$

.

.

.

Five per cent discount allowed for cash settlement
on arrival of register, but no discount allowed on credit
for exchange registers, or on autographic registers.

The purchase price, less any payment thereon, shall
at your option, immediately become due and payable upon
refusal of undersigned to accept the register when ten-

Special form used in Ohio for installment sales:

City County Ohio

THE BLANK COMPANY, Philadelphia, Pa.

Date 192...

Please manufacturers and ship freight prepaid to

St. City, County, Ohio, or to

the nearest railroad station, (Residence Address.....)

..... of your No. registers, finish,

denomination of keys for use in

..... business, for which undersigned agrees

to pay you (\$.....) as follows:

\$ cash

\$ cash on arrival of register, and the following

amount to be evidenced by note:

\$ in monthly payments of \$..... and

..... of \$

Five per cent discount allowed for cash settlement

on arrival of register, but no discount allowed on credit

for exchange registers, or on autographic registers.

The purchase price, less any payment thereon, shall

at your option, immediately become due and payable upon

refusal of undersigned to accept the register when ten-

dered, or to make any cash payment, or to execute and deliver the note or make any payment provided for therein; or you, or any person authorized by you, if you so elect, may immediately repossess the register.

Should the register be lost or stolen, destroyed, injured or damaged by fire or otherwise, before the price has been fully paid, undersigned agrees to complete payment, notwithstanding such loss, destruction, injury or damage.

Should the register get out of order from ordinary use within one year from shipment, you will, without charge, repair it, provided undersigned pays the transportation charges on it to and from the factory or nearest agency able to make the repairs, or traveling expenses of repairman. Undersigned to pay for any repairs made without your authorization, and to pay all taxes on the register, and, in event of default, to reimburse the Company to full extent of taxes paid by it.

The register shall remain your property until the price, or any judgment for same, is paid in full.

This contract covers all agreements between the parties, and shall not be countermanded.

upon failure of undersigned (Sign here)

so that, you may repossess the register by

rental all money paid P. O.

Georgia requires a form similar to this below for
all instalment sales: payment if register is lost, stolen,
damaged or destroyed.

City County Georgia.

THE BLANK COMPANY, Philadelphia, Pa.

(Sign here) Date 192..

Please manufacture and ship freight prepaid to
St., City County, Ga.,
or to the nearest railroad station, (Residence address)
..... of your No. registers, finish,
for use in business, for which undersigned
agrees to pay you dollars (\$.....)
as follows:

\$ cash

\$ cash on arrival of register, and the following
amount to be evidenced by note:

\$ in monthly payments of \$..... and
of \$.....

.

.

CLERK'S OFFICE, SUPERIOR COURT

The register shall remain your property until the
price, or any judgment for same is paid in full; and
upon failure of undersigned to make any payment, if you
so elect, you may repossess the register and retain as
rental all money paid.

Undersigned agrees to pay all taxes on the register, and to complete payment if register is lost, stolen, damaged or destroyed.

This contract covers all agreements between the parties and shall not be countermanded.

(Sign here).....

Witness by

P.O.

* *

.....Ga., County

In person came who, being duly sworn, deposes and says that he saw sign and deliver the within deed for the purpose therein mentioned and that affiant signed the same as witness thereto,

Sworn to and subscribed before me this .. day of ... 192..

.....
Notary Public, Cty.

- -

.....Ga., County

CLERK'S OFFICE, SUPERIOR COURT

Left for record this, the day of at
.... o'clock M.

Recorded in Book, Page, this ... day of
....., 192... .

.....
C l e r k

South Carolina uses this form:

City County S.C.,

THE BLANK COMPANY, Philadelphia, Pa.

Date 192..

Please manufacture and ship freight prepaid to
St., City, County, S.C.,
or to the nearest railroad station (Residence address)
..... of your No. registers, finish,
for use in business, for which under-
signed agrees to pay you dollars (\$.....)
as follows: (purchaser) sign and as his act de-

\$ cash; in written instrument for the uses and

\$ cash on arrival of register, and the following
amount to be evidenced by note: his name as witness

\$ in monthly payments of \$..... and
of \$ before me this day of A.D. 192..

.

.

.

The register shall remain your property until the
price, or any judgment for same is paid in full; and
upon failure of undersigned to make any payment, if you
so elect, you may repossess the register and retain as
rental all money paid. Undersigned agrees to pay all
taxes on the register, and to complete payment if regis-
ter is lost, stolen, damaged or destroyed.

This contract covers all agreement between the parties and shall not be countermanded.

..... (Sign here)

 Witness by
 P. O.

* *

STATE OF SOUTH CAROLINA) -- ss:
 COUNTY OF)

Personally appeared before me
 (witness) and made oath that he saw the within named
 (purchaser) sign and as his act de-
 liver the within written instrument for the uses and
 purposes therein mentioned, and that he witness the due
 execution thereof, and subscribed his name as witness
 thereto.

Sworn to before me this day of A.D., 192..

.....
 Notary Public

S
 e
 a
 1
 - - -

CERTIFICATE OF RECORD

Filed for record in the office of for.....
 County, S. C., at o'clockM., 192...,
 and recorded in Book Page

.....
 Clerk

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<i>Johnson</i>	
<i>Economics and accounting</i>	
<i>of installment selling</i>	
DATE	ISSUED TO
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